

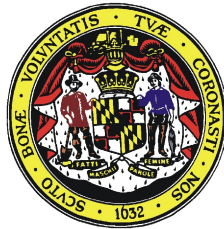
TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS



A Report to

Governor

Robert L. Ehrlich, Jr.



December 31, 2003

TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS

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Task Force on the Marketing of Grain and Other Agricultural Products

Background and Purpose

The Task Force on the Marketing of Grain and Other Agricultural Products was established by the 2003 Maryland General Assembly through enactment of SB367. The Task Force members were charged with evaluating options and proposing strategies to improve the market for Maryland grain, particularly soybeans. Staff support and coordination were provided by the Maryland Department of Agriculture in cooperation with the Maryland Port Administration.

The closing of the Archer Daniels Midland Company's (ADM) Baltimore grain export pier in June 2001 provided the impetus for SB367. The ADM ceased waterborne export operations at the Locust Point elevator after part of the pier collapsed into the water and rerouted waterborne exports to other export facilities. The pier was some 80 years old and at the end of its useful operational life when it collapsed. Efforts to reach a resolution between ADM, CSX and the Maryland Port Administration for the restoration of the pier and damaged equipment were not successful. The ADM officially announced that it would close the elevator operation completely effective March 2003. The ADM is in the process of disposing of the property and plans have been announced for a mixed residential and commercial development.

The ADM facility at North Locust Point was the sole remaining grain export elevator in Baltimore, which as recently as 1989, had three active export elevators. These closures reflect a trend at northeast seaports in response to changing market conditions. Although the volume of grain exported from Baltimore declined significantly since the late 1980's, the ADM elevator continued to exert a strong influence on commodity prices and provided a nearby outlet for large volumes of grain, especially soybeans. The influence of the ADM facility on grain markets extended beyond Maryland into the adjacent states.

As a result of the ADM facility closing, farmers in Maryland and adjacent states experienced a loss in the value of their soybeans. Maryland farmers plant approximately 500,000 acres of soybeans annually. Soybeans are typically planted in rotation with other grain commodities and are a critical component of many diversified Maryland grain farms. Grain production accounts for more than 80 percent of the State's cropland. Following the loss of the ADM export elevator, farmers in the region were left with the costly and logistically challenging option of hauling their soybeans long distances by truck. Faced with this difficult situation, the Maryland General Assembly established the Task Force to identify strategies that would improve the near- and long-term market outlook for producers of soybeans and other grain commodities.

Initial Actions

During the course of its meetings, the Task Force needed to find a solution to ensure that the Fall 2003 soybean harvest would have a means to get to market. The Perdue Farms Inc. Grain and Oilseed Division, the Maryland Grain Producers Association, and other private and public interests identified sites in Maryland that can be used to trans-load grain from trucks to rail cars. As a result of these efforts, two truck-to-rail grain-handling facilities were opened in time to help move the 2003 soybean crop to market in Chesapeake, Virginia. The facilities located at Keymar Fertilizer in Carroll County and at the Canton Railroad trans-load facility in Baltimore City have provided producers and dealers with optional delivery points to reduce trucking distance, and helped relieve pressure on the local grain storage infrastructure and soybean market.

Key Findings

The findings below were based on the input of individual Task Force members, invited speakers and, in particular, the “Feasibility of Grain Exports via the Port of Baltimore” Study, which was conducted for the Task Force by Martin Associates.

The ADM grain export elevator in North Locust Point, Baltimore, exerted a strong, positive influence on soybean prices in Maryland and adjacent states. Locally-produced soybeans are estimated to have lost from 35 to 70 cents per bushel based on additional transportation costs to the next nearest market. The greatest impact has occurred in central, northeast, and southern Maryland counties where producers are a long distance away from the next closest viable market. Analyses of recent historical grain export trends, future projections for grain exports, and competitive advantages enjoyed by other ports indicate that it would not be economically feasible to reestablish a large-scale (1 million + tons) grain export facility at the Port of Baltimore.

Short-term Opportunity

The State’s best short-term opportunity to help mitigate the loss of the ADM export elevator is to assist in developing transportation alternatives that will reduce the cost of shipping soybeans to other markets. Rail and barge are the most efficient method of transporting soybeans to markets in Virginia, North Carolina and Ohio. Barging soybeans to Chesapeake, Virginia is the lowest-cost transportation alternative. Based on a comparison with trucking costs to Chesapeake, a barge operation could reduce the cost of transporting soybeans by 21 to 42 cents per bushel. A barge trans-shipment alternative appears to be the most cost-effective method to assist Maryland farmers in the short term.

Long-term Opportunity

Efforts are underway by economic development officials in neighboring states to evaluate the feasibility of developing soybean processing facilities. The regional supply of soybeans, relative to the local demand for soybean products, suggests that a new soybean processing facility may be feasible and warrants further consideration. Encouraging and facilitating the development of a soybean processing facility in the region would reduce the distance between producers and the market, create a more diverse and competitive marketplace for local soybeans, and offer the greatest long-term potential to improve the local market for soybean producers.

In developing any opportunity, care should be taken to ensure that a balance be maintained between the needs of Maryland's current and any future soybean markets.

Recommendations

1. The Maryland Port Administration (MPA) should conduct an assessment of potential barge trans-shipment sites previously identified by the Task Force for the purpose of developing an estimate of acquisition, development, and operating costs. From this information, a decision can be made on whether to pursue such an option. The study should place an emphasis on sites that provide the greatest flexibility for transporting grain to markets lying to the south and west by water or by rail.
2. If the assessment indicates that one or more barge trans-shipment sites are feasible, the State should provide additional resources, if necessary, to develop the site. Maryland Department of Transportation (MDOT) resources would be dependent upon revenue enhancements to the Transportation Trust Fund.
3. The State should explore opportunities to leverage local, state, federal and private sector funds to develop a barge transshipment site.
4. The Maryland Department of Agriculture (MDA) should conduct an analysis of the feasibility of shipping soybeans from Maryland to underdeveloped countries which are receiving federal food assistance through the Food for Peace (PL480) program.
5. The MDA and the Department of Business and Economic Development should initiate meetings with grain producer organizations, economic development officials, Department of Agriculture officials in adjacent states, and private industry to evaluate the feasibility of developing a soybean processing facility in the region and to identify and evaluate opportunities to cooperatively improve the regional market for soybeans and other grain commodities, including providing incentives to produce and use biofuels made from grain commodities.

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“FEASIBILITY OF GRAIN EXPORTS VIA THE PORT OF BALTIMORE”
REPORT OF MARTIN ASSOCIATES
JOHN MARTIN

(PLEASE SEE ATTACHED)

FEASIBILITY OF GRAIN EXPORTS VIA THE PORT OF BALTIMORE

PREPARED FOR THE:
**MARYLAND PORT ADMINISTRATION
AND THE
TASK FORCE ON THE MARKETING OF GRAIN AND OTHER
AGRICULTURAL PRODUCTS**

NOVEMBER 21, 2003

PREPARED BY:
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EXECUTIVE SUMMARY

In December 2002, the Archer Daniels Midland Corporation (ADM) ceased receiving grain at its elevator located at the Maryland Port Administration's North Locust Point Marine Terminal. This elevator had operated at the Port of Baltimore under various owners since 1923, and provided a direct export outlet for the Maryland grain producers, as well as other local farmers in Pennsylvania, Delaware, and New Jersey. With the closing of this elevator, the closest export elevator to serve the Maryland grain growers is located in Chesapeake, Virginia. Due to the distance of this elevator compared to the Baltimore elevator, Maryland farmers incurred additional transportation costs, and since the world market sets the price of grain exports, the Maryland farmers experienced a direct reduction in income from the sale of export grain, as represented by the additional transportation cost to move grain to the Chesapeake elevator.

Given the closing of the grain elevator and the resulting impact on the earnings of the Maryland farmers, the Maryland General Assembly established a Task Force to address this impact and make recommendations. Through an existing Maryland Port Administration contract, Martin Associates was directed to assess the feasibility of reestablishing an export grain facility at the Port of Baltimore. The study's purposes were to:

1. Assess the feasibility of reestablishing a grain export facility at the Port of Baltimore
 2. Evaluate grain and soybean transport options from points of grain production in Maryland
 3. Analyze the viability of a grain shipping facility at the Port of Baltimore
- Assess the economic feasibility of a grain shipping facility.

The study consisted of the following study steps:

1. Develop an overview of the U.S. grain export market
2. Identify the key production areas in states that have supplied grain to the export facility in Baltimore
3. Assess the historical performance of the Port of Baltimore export elevator
4. Evaluate the competitive position of the Port of Baltimore
5. Identify alternatives for shipping grain via the Port of Baltimore
6. Identify facility needs
7. Evaluate the economic feasibility of grain export operations at the Port of Baltimore

The key findings of the study are:

1. *The overview of the grain export markets indicated that overall exports for grains, particularly soybeans, are becoming subject to increasing competition from Brazil and Argentina, while wheat exports are subject to competition from Canada and Australia.*

The demand for corn will likely increase, both for feed and ethanol uses, putting upward pressure on corn prices. With increasing corn prices, diversion of acreage may occur from bean production to corn production.

2. The Lower Mississippi River elevators dominate the grain export activity, followed by elevators along the Columbia River. Both barge and rail transportation provide cost effective routings for Midwestern corn and soybeans to the Lower Mississippi River elevators, which is reflective in the declining use of Great Lakes grain elevators. The Columbia River elevators draw wheat and corn from Kansas, the Dakotas, Minnesota and Eastern Washington and Oregon.

3. Mergers among grain companies over time have resulted in a contraction of the number of export elevators, as 13 export elevators have been closed over the past 10 years. This number includes the closing of the ADM facility in Baltimore.

4. The historical performance of the grain elevator at the Port of Baltimore has been highly unstable, and the volume of grain handled at this facility has been falling from the early 1990's.

5. The closing of the ADM elevator at the Port of Baltimore has resulted in an economic cost to Maryland farmers. The analysis estimates this cost at between \$.35 and \$.70/bushel, depending on backhaul opportunities.

6. A barge transshipment alternative appears to be the most cost effective method to assist the Maryland farmers, and will reduce the cost penalty of the loss of the elevator by \$.21 to \$.42 per bushel. This service can also be used to potentially move soybeans and meal to the newly established bulk handling facility in Wilmington, North Carolina.

7. The barge transshipment service at Baltimore could serve as one point in a multi-terminal system of barge transshipment operations on the Chesapeake Bay. Each facility would focus on a local drawing area, such as a location to serve the Northern Chesapeake Bay area in Cecil County as well as a location in St. Mary's County. Such multiple locations would further reduce the cost impact of the loss of the export elevator in Baltimore.

8. The rail transshipment operation at the Keymar property provides a cost effective outlet for Frederick County and Carroll County farmers moving grain to export as well as crushing facilities, and offsets to some extent the cost penalty resulting from the closing of the elevator. In addition, the rail transshipment operation at Baltimore also provides a relief to Maryland farmers in providing service to both export elevators as well as to crushing facilities.

9. A new export elevator at the Port of Baltimore could not cost effectively compete for Midwestern grain, as Lower Mississippi River ports provide the cost effective routing for Midwestern grain to both Europe and China. The use of an export elevator at the Port of Baltimore is the most costly alternative to move Midwestern grain.

10. The capital cost to develop a barge transshipment facility at Baltimore is estimated to range between \$2.0 and \$2.5 million dollars, with an annual capital cost of between \$130,000 and \$160,000. The cost to construct a new grain elevator with a minimum storage capacity to serve one 80,000 DWT ship (2.6 million bushels) is \$41 million, or about \$2.7 million per year in terms of capital costs. This includes the reconstruction of a new grain pier. Given the historical unstable usage of the export elevator at Baltimore over time, the annual capital cost per bushel would likely vary considerably.

In conclusion, the results of the analysis indicate the following:

1. It would not be cost effective to develop a new grain export elevator in the Port of Baltimore.
2. A cost effective method to assist Maryland farmers in light of the closing of the ADM elevator is to develop a barge transshipment operation at the Port of Baltimore. This facility could be developed on private or public (Maryland Port Administration) property, and would require rail access and siding to handle 65 car unit trains. The facility would require a covered storage capacity of 225,000 bushels, and a conveyor system with a loading rate of 10,000 bushels per hour. This type of facility is relatively inexpensive to construct, and will provide an immediate outlet for Maryland soybeans. In the longer term, depending upon usage, the storage capacity can be expanded as necessary to accommodate growing demand. The facility can also be used to handle imported beans and grain during the winter months, as well as to store other dry commodities.

I. Overview of the Grain Export Industry

The overview of the grain export industry consists of the following steps:

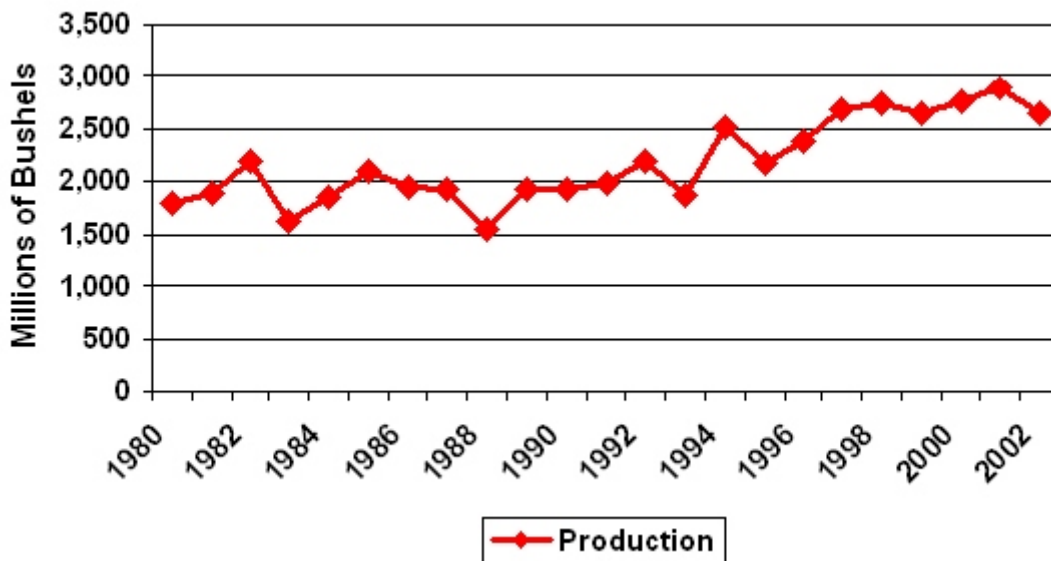
1. Review of export, acreage and production trends
2. Trends in the use of soybeans and grain
3. Key sources of exports
4. Review of exports by Port range
5. Trends in export elevator supply
6. Outlook for export markets.

1. Grain Export and Production Trends

1.1 Soybeans

Exhibit 1 shows that soybean production has exhibited an increasing trend over the past 22 years. The downturn in 2002 reflects the drought conditions last year, so a more accurate reflection is a comparison of the growth in soybean exports between 1980 and 2001. Over this 21 year period soybean production increased by 61 percent, for an average annual growth rate of 2.3 percent over the period.

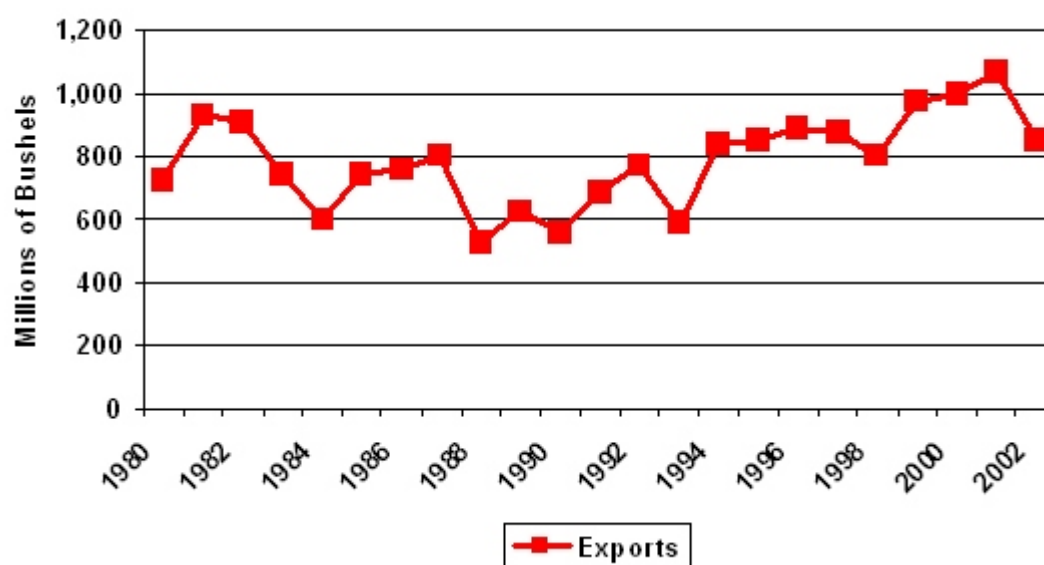
Exhibit 1
Soybean Production



Source: USDA

Soybean exports have likewise been increasing over the 1980-2002 period, and reached a 22 year high in 2001, when 1.1 billion bushels of soybeans were exported. The drop between 2001 and 2002 again reflects weather conditions as well as growing competition from new sources of bean exports, primarily from Brazil and Argentina. Between 1980 and 2001, soybean exports grew by 47 percent, for an annual growth rate of 1.9 percent. The fact that exports have grown at a lower annual rate than production suggests that other domestic uses for soybeans are competing for the export market, as well as the possible loss of world market share of soybean exports to new suppliers.

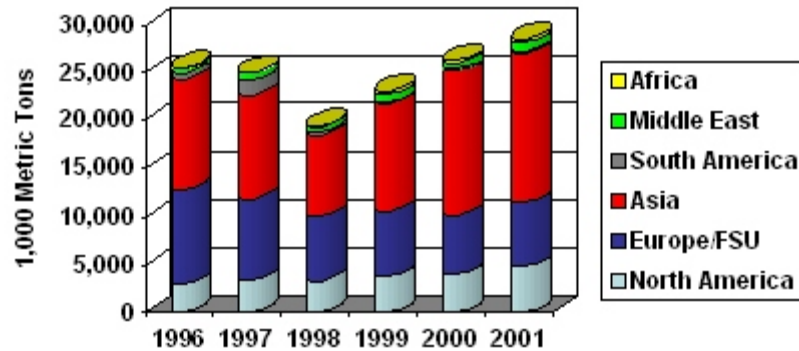
EXHIBIT 2
SOYBEAN EXPORTS



SOURCE: USDA

Exhibit 3 shows the key consuming areas of U.S. soybeans. As depicted in this exhibit, Asia has been the largest consuming area of U.S. soybean exports, followed by Europe and the Former Soviet Union (FSU).

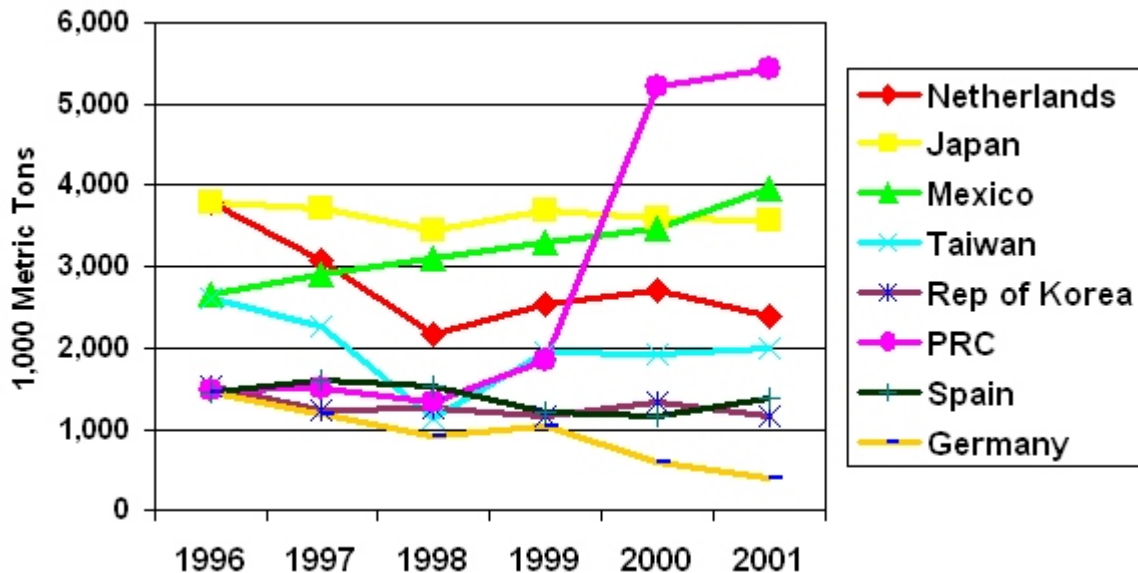
Exhibit 3
World Consuming Areas of U.S. Soybean Exports



Source: 2003 Soya and Oilseed Bluebook

With respect to specific countries, Exhibit 4 shows that the Peoples Republic of China (PRC) is the emerging market for soybean imports. Historically, Japan has been the key import country, followed by Mexico and the Netherlands.

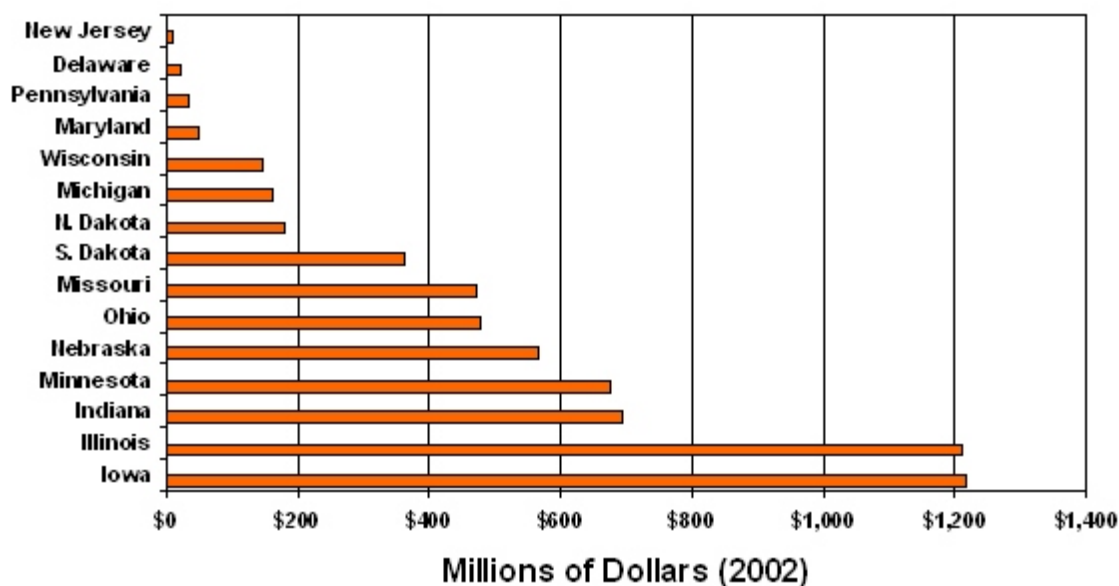
Exhibit 4
Key Country Consumers of U.S. Soybean Exports



Source: 2003 Soya and Oilseed Bluebook

The states supplying soybean exports are depicted in Exhibit 5. As shown, Iowa and Illinois are the leading sources of soybean exports, followed by Indiana, Minnesota and Nebraska. The East Coast states of Maryland, Pennsylvania, Delaware and New Jersey are very small suppliers of export soybeans.

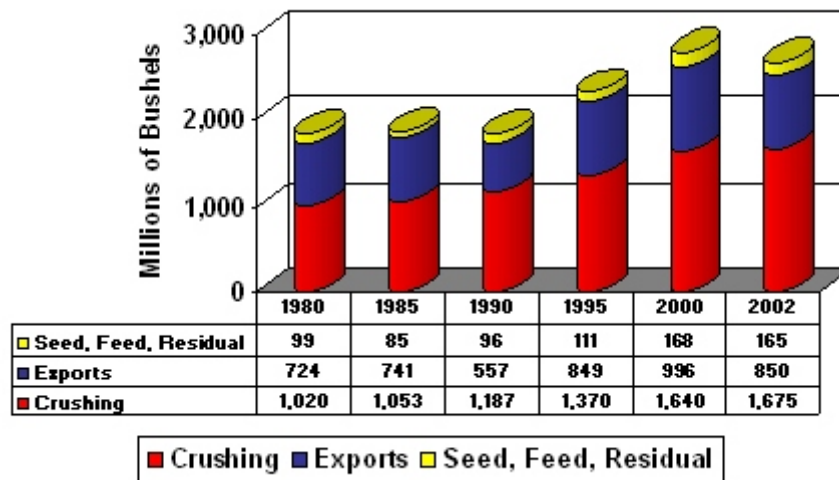
EXHIBIT 5
SOURCES OF SOYBEAN EXPORTS
(VALUE OF EXPORTS)



SOURCE: NATIONAL AGRICULTURE STATISTICS SERVICE

As suggested by the lower growth rate of exports compared to production, the share of soybean production exported has been declining over time. Exhibit 6 shows that crushing has been increasing over time at the expense of exports. In 1980, exports accounted for 39.3 percent of soybean production, while in 2000, exports were 35.5 percent of production, and by 2002 exports accounted for 32 percent of grain production. This indicates two factors facing the soybean export market – the growing participation of Brazil in the export market and the increasing demand for beans as meal to supply the domestic soybean meal feed market.

Exhibit 6
Uses of U.S. Soybean Production

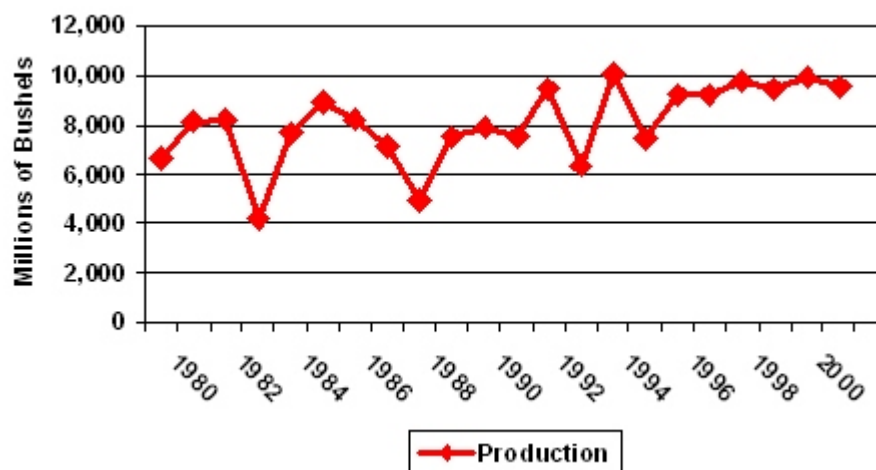


Source: 2003 Soya and Oilseed Bluebook

1.2 CORN EXPORTS

Corn production has shown relatively small growth over the past 21 years. Exhibit 7 shows that corn production has grown by an average annual rate of 1.7 percent. However, since the mid 1990's corn production has been relatively stagnant.

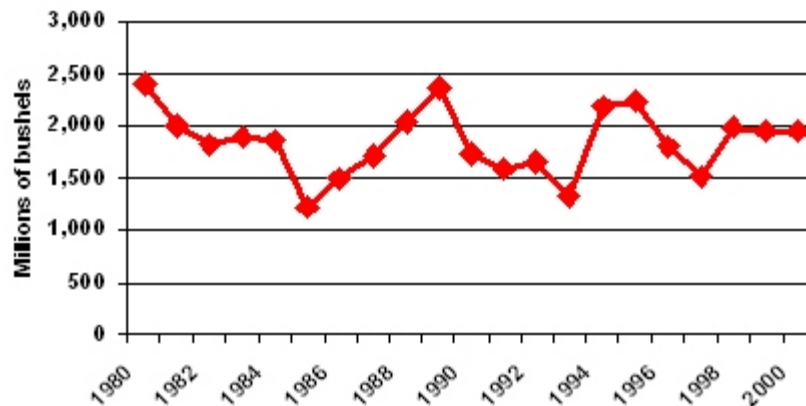
EXHIBIT 7
CORN PRODUCTION



SOURCE: USDA

Corn exports have been unstable over time, peaking in 1990, but declining since 1998. This reflects the growing domestic demand for corn for feed.

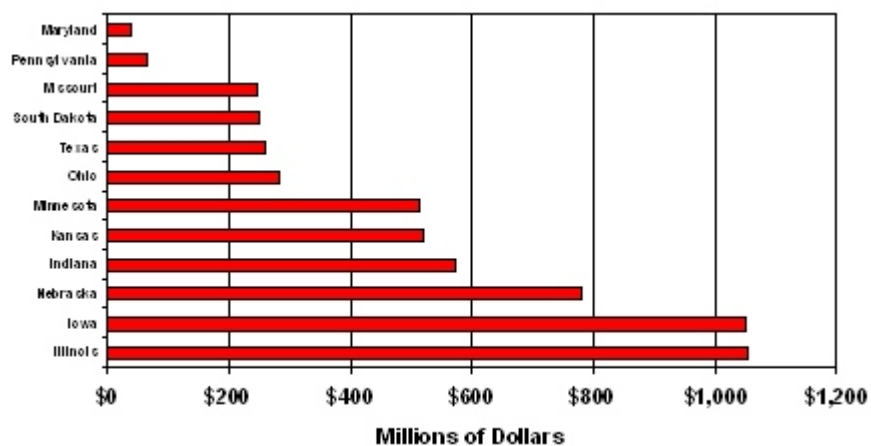
EXHIBIT 8
CORN EXPORTS



SOURCE: USDA

The key supplying states for corn exports are Illinois, Iowa, Nebraska, Indiana, Kansas, and Minnesota. As Exhibit 9 shows, Maryland and Pennsylvania are relatively small suppliers of export corn.

EXHIBIT 9
SOURCES OF CORN EXPORTS
(VALUE OF EXPORTS)

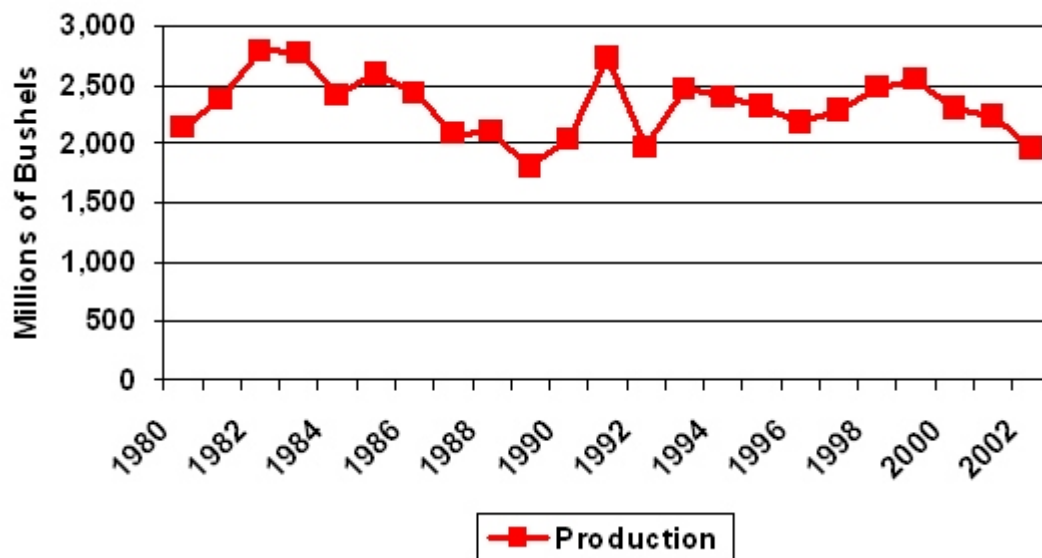


SOURCE: NATIONAL AGRICULTURE STATISTICS SERVICE

1.3 WHEAT EXPORTS

Wheat production has been declining between 1980 and 2002, and the decline has accelerated, falling from 2.5 million bushels in 1999 to slightly less than 2 million bushels in 2002.

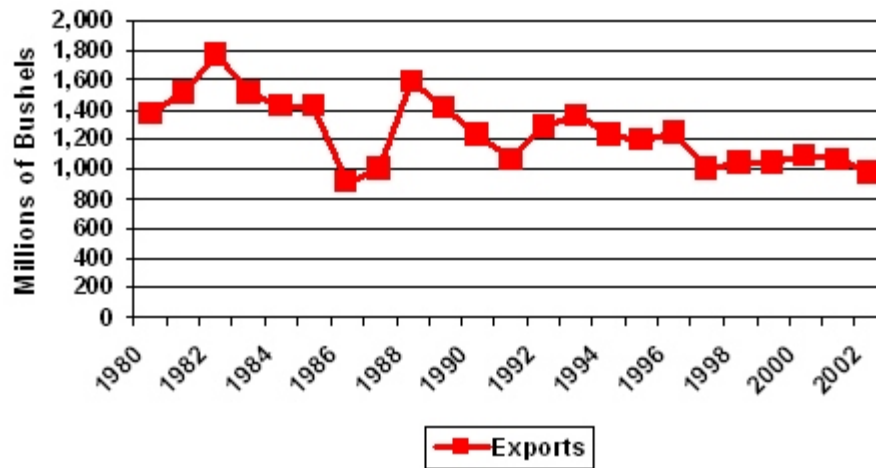
Exhibit 10
Wheat Production



Source: USDA

Reflecting the decline in wheat production is a similar decline in wheat exports. Exhibit 11 shows that wheat exports have been exhibiting a declining trend since 1993.

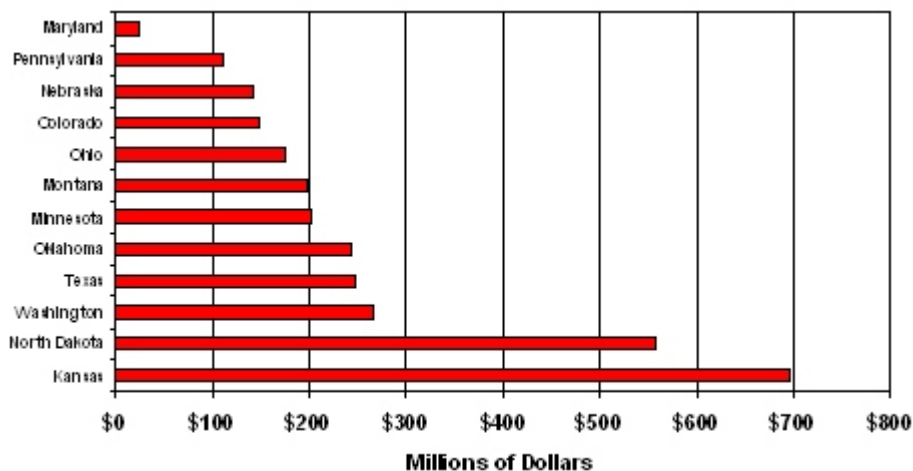
Exhibit 11
Wheat Exports



Source: USDA

The key sources for wheat exports differ from those of corn and soybeans. Kansas and North Dakota dominate the other states in terms of supplying wheat for exports, and are followed by Washington, Texas and Oklahoma. Again, as shown in Exhibit 12, Maryland and Pennsylvania are small participants in this market.

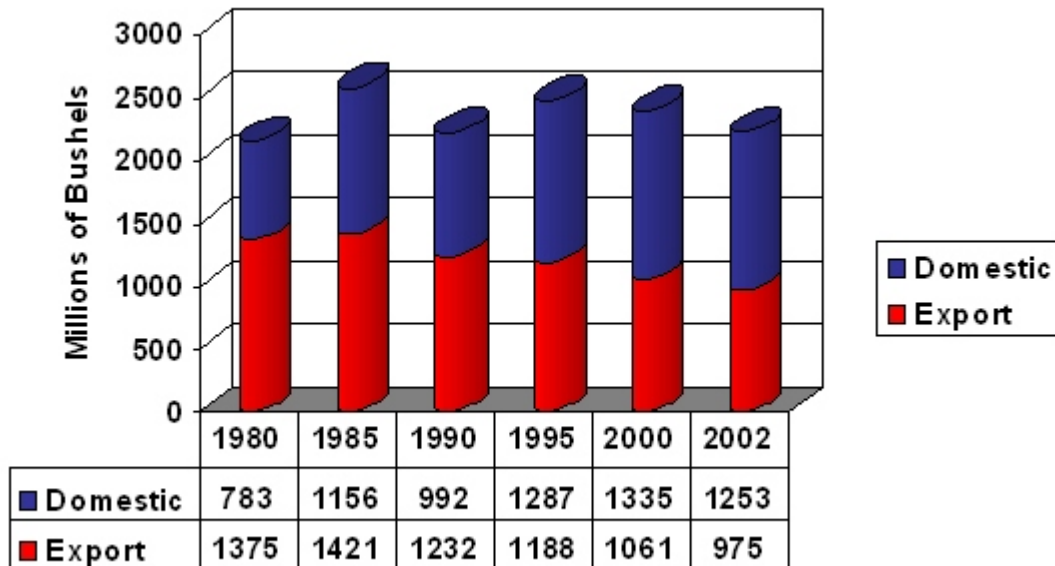
Exhibit 12
Sources of Wheat Exports
(Value of Exports)



Source: National Agriculture Statistics Service

There has been a shift from export to domestic use of wheat, as shown in Exhibit 13. This shift is explained in part by the loss of export market share to other suppliers, such as Canada and Australia. Also, as the demand for corn increases driving up prices, wheat is diverted to feedstock. Exhibit 13 shows this shift to domestic use.

Exhibit 13
Uses of Wheat

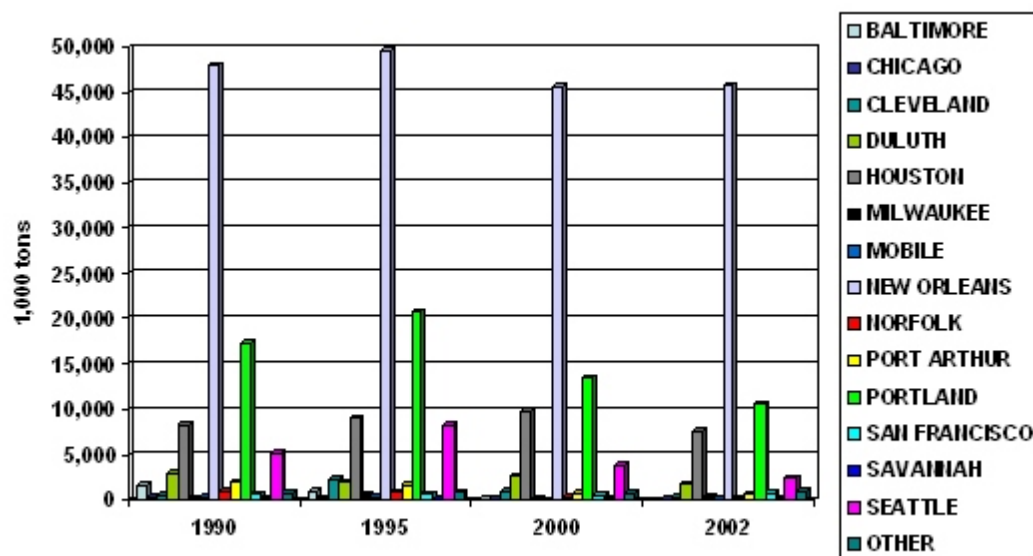


Source: USDA

2. Grain Exports by Port Range

Exhibit 14 highlights the trends in grain exports by port range. As this exhibit shows, the grain export market has been dominated by the Lower Mississippi River ports located within the Port of New Orleans Customs Districts. These elevators are served by river traffic as well as rail and draw grain from the key producing states of Indiana, Illinois, Nebraska, Kansas, and Minnesota. Portland, OR is the second leading customs district in terms of handling grain exports. Grain moves to the Columbia River grain export elevators in Portland, OR; Kalama, WA; and Longview, WA. Grain moves by rail from sources in the Dakotas, Nebraska, Kansas, as well as the Midwest. Grain also moves along the Columbia Snake River System from Eastern Oregon and Washington.

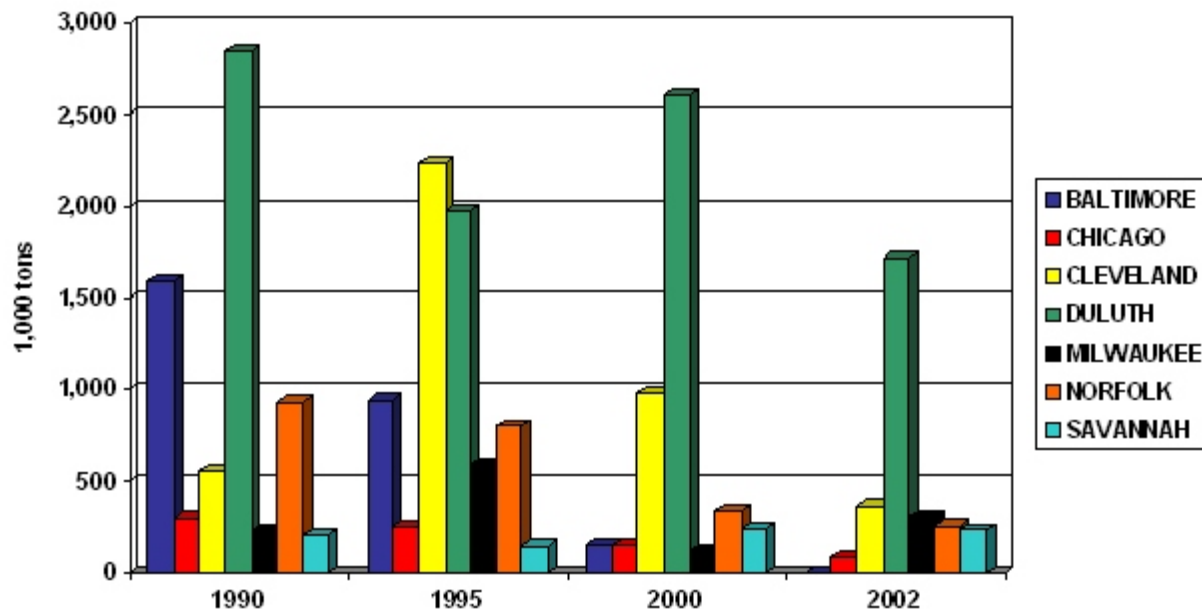
Exhibit 14
Exports of Grain by Port Customs District



Source: U.S. Maritime Administration, Foreign Trade Statistics

With respect to grain exports via the Atlantic Coast and Great Lakes, Baltimore leads the Atlantic Coast in terms of grain exports, while Duluth was the leading export port for grain using the Great Lakes/St. Lawrence Seaway, followed by ports in the Cleveland Customs District (the key export elevator is located in Toledo). As demonstrated by Exhibit 15, with the exception of Duluth in 2000, grain exports via these elevators have been declining.

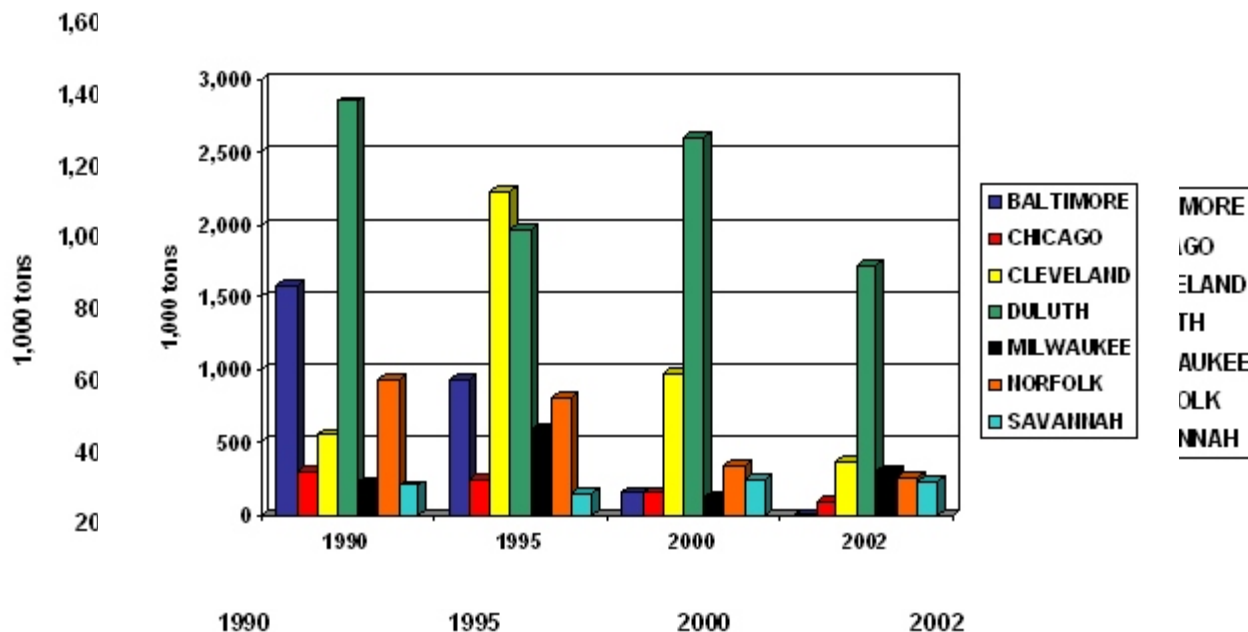
Exhibit 15
Grain Exports via Atlantic Coast and Great Lakes Customs Districts



Source: U.S. Maritime Administration, Foreign Trade Statistics

With respect to soybeans via the Atlantic Coast and Great Lakes, the elevator at the Port of Baltimore handled the majority of the soybeans off the Atlantic Coast, while Duluth dominated the soybean exports on the Great Lakes. Exhibit 16 shows the importance of elevators in the Duluth, Cleveland (the Port of Toledo), and Baltimore Customs Districts in handling soybean exports.

Exhibit 16
Soybean Exports via Elevators on the Great Lakes and Atlantic Coast



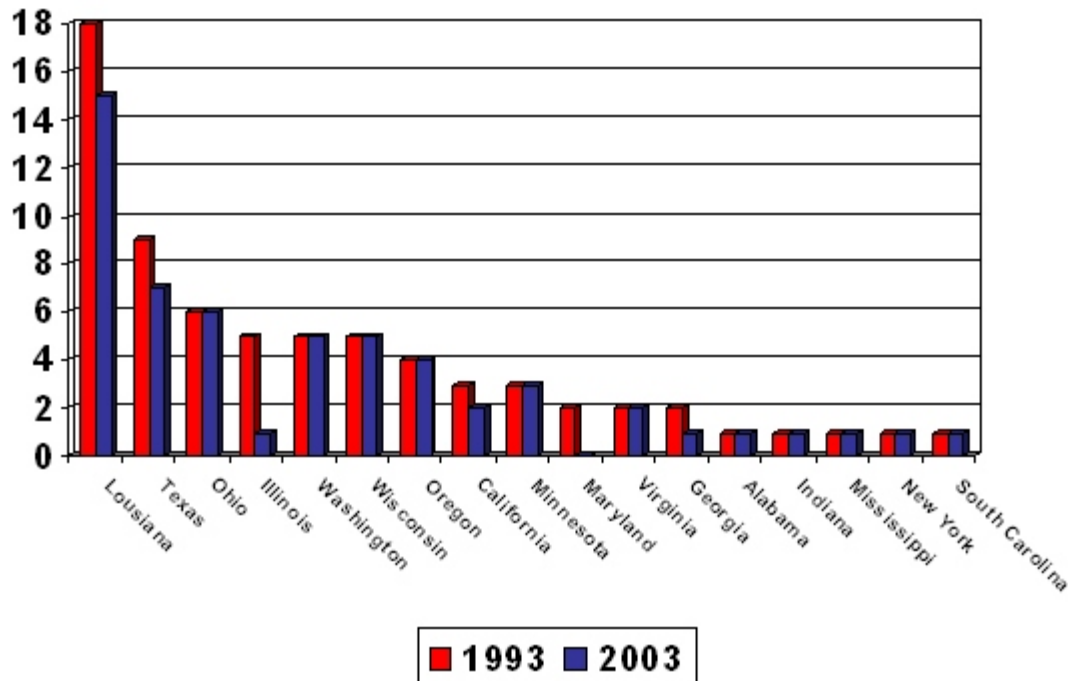
Source: U.S. Maritime Administration, Foreign Trade Statistics

With respect to exports of soybeans via the Atlantic Coast, the elevator at the Port of Baltimore was the leading export elevator on the Coast. As displayed in Exhibit 16, the elevator at Baltimore and Chesapeake, VA (Norfolk Customs District) handled about the same level of soybean exports in 1990, but by 1995 and 2000, Baltimore handled the majority of the soybean exports via the Atlantic Coast. The elevator in the Savannah Customs District (located at the Port of Brunswick, GA), has typically handled imported grains, but increased its share of soybean exports in 2002.

3. Trend in the Number of Export Grain Elevators

The nation's grain export industry has been characterized by the closing of export elevators over time, as consolidation within the industry continues and older, less productive elevators are closed. Over the past 10 years, 13 elevators have been closed. Four export elevators were closed over the past 10 years in Illinois, three in Louisiana, two in Texas and two in Maryland, one in California and one in Georgia. A new bulk grain facility has opened in Wilmington, NC, but this has been focused on the handling of imported grain, primarily soybean meal to serve local consumers located near the Port.

EXHIBIT 17
NUMBER OF GRAIN EXPORT ELEVATORS



Source: USDA, Grain Inspection

4. Outlook for U.S. Grain Exports

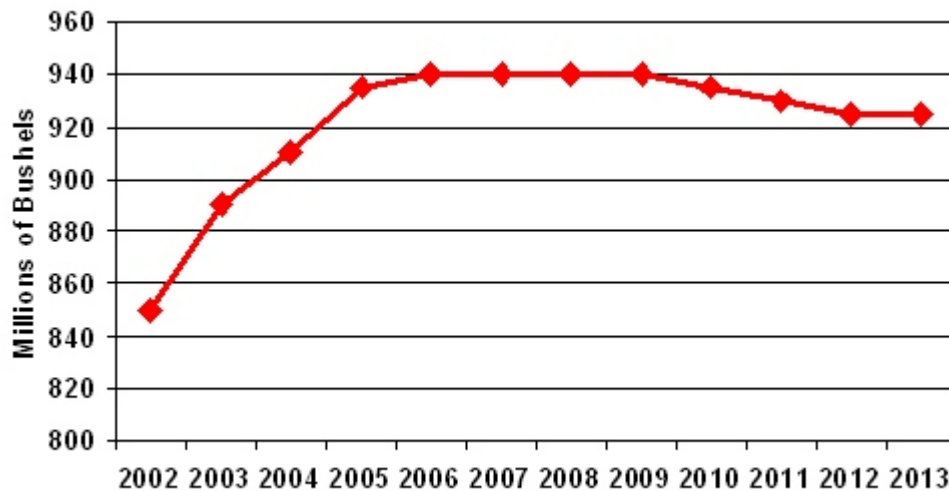
The U.S. Department of Agriculture publishes the 2003 Baseline Projections for Grain Exports. The outlook for the exports of soybeans, corn and wheat are summarized in the balance of this section.

4.1 Soybean Export Outlook

Soybean exports are projected to increase from 2002 levels to nearly 950 million bushels in 2006. The level of soybean exports is not expected to increase after 2006 and is projected to remain about 100 million bushels below 2001 levels. The competition with South American beans is increasing, particularly for the European markets. This competition is strongest from Brazil, which has been aggressively participating in the export soybean market.

Growth in domestic crushing is anticipated, and this demand is driven by the increasing demand for meal to feed the pork and poultry markets. The amount of soybean acres planted could decline, as the corn value increases (due to domestic demand for corn including ethanol demand). As the price of corn increases, acreage now devoted to soybean production could be directed into corn production.

Exhibit 18
Projected Soybean Exports



Source: USDA, Baseline Projections, February 2003

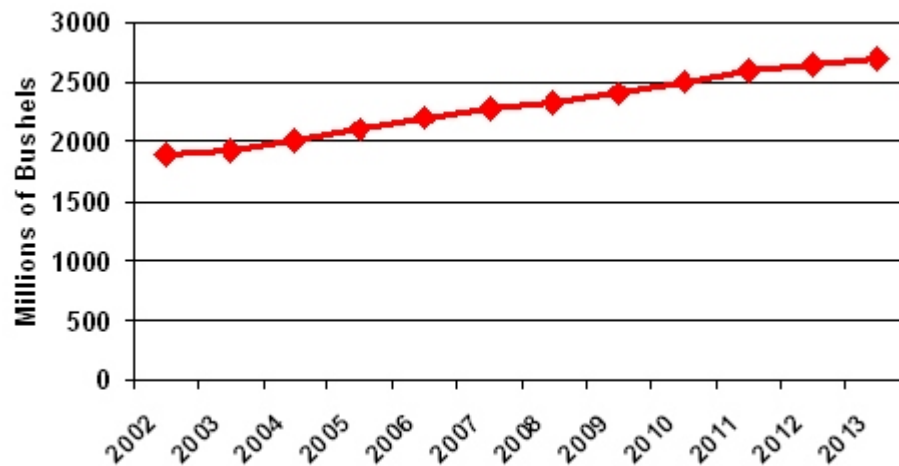
Overall, exports of soybeans are projected to show little growth, primarily due to competition with Brazil. Weak exports of meal and soybean oil are also projected, primarily due to competition from Argentina, as the crushing industry expands in this country. Imported soybeans are projected to grow from 2 million bushels in 2003 to 10 million bushels by 2013. Furthermore, soybean meal imports are projected to double from 110,000 tons to 240,000 tons by 2013.

4.2 Corn Export Projections

Domestic consumption of corn is projected to strengthen over the forecast period. Mea1 production is projected to increase in future years and growth in corn demand for ethanol use is anticipated. The growth in the demand for ethanol is based on the ban by numerous states on the use of methyl tertiary butyl ether (MTBE) as a fuel oxygenate, as well as the need to reduce dependency on foreign sources for fuel.

Exports of corn are projected to increase faster than global trade, as the U.S. market share for corn exports will increase, but will face strong competition from Argentina and Eastern Europe. Overall, U.S. corn exports are projected to grow at an annual rate of 3.6 percent over the next 10 years.

Exhibit 19
Projected Corn Exports



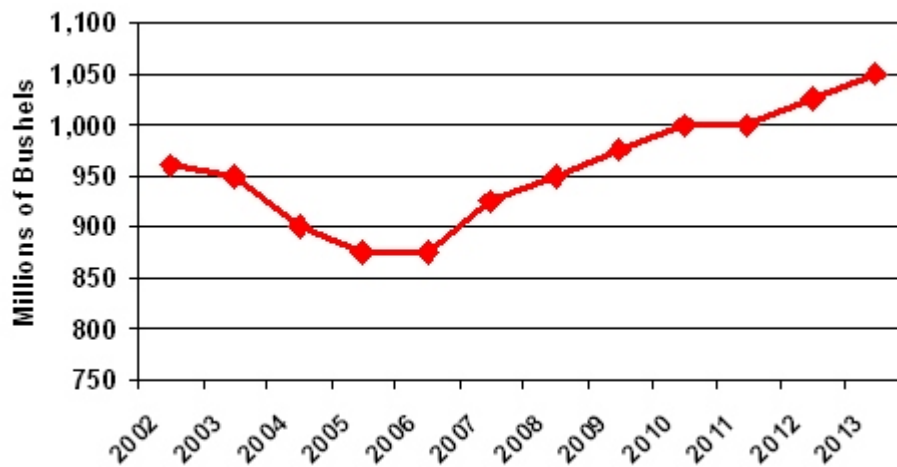
Source: USDA Baseline Projections, February 2003

4.3 Wheat Export Projections

The USDA characterizes domestic wheat demand as a mature market. Food use of wheat is expected to grow at a lower rate than population growth, and feed use will increase reflecting the increasing price of corn.

Overall, wheat exports are projected to decline in the near future due to production increases in Canada and Australia, as well as competition from the European Union and the Black Sea Region. Wheat exports will return by 2006 and grow at the rate of growth of world export trade. It is anticipated that U.S. grain will account for about 21 percent of world wheat exports, but still remain below the export levels of the 1990's.

Exhibit 20
Projected Wheat Exports



Source: USDA Baseline Projections, February 2003

5. Summary of Macro Overview of Grain Export Markets

The overview of the grain export markets indicated that overall exports for grains, particularly soybeans, are becoming subject to increasing competition from Brazil and Argentina, while wheat exports are subject to competition from Canada and Australia. The demand for corn will likely increase, both for feed and ethanol uses, putting upward pressure on corn prices. With increasing corn prices, diversion of acreage may occur from bean production to corn production.

The Lower Mississippi River elevators dominate the grain export activity, followed by elevators along the Columbia River. Both barge and rail transportation provide cost effective routings for Midwestern corn and soybeans to the Lower Mississippi River elevators, which is reflective in the declining use of Great Lakes grain elevators. The Columbia River elevators draw wheat and corn from Kansas, the Dakotas, Minnesota and Eastern Washington and Oregon.

Mergers among grain companies over time have resulted in a contraction of the number of export elevators, as 13 export elevators have been closed over the past 10 years. This number includes the closing of the ADM facility in Baltimore, which is the subject of the following chapter.

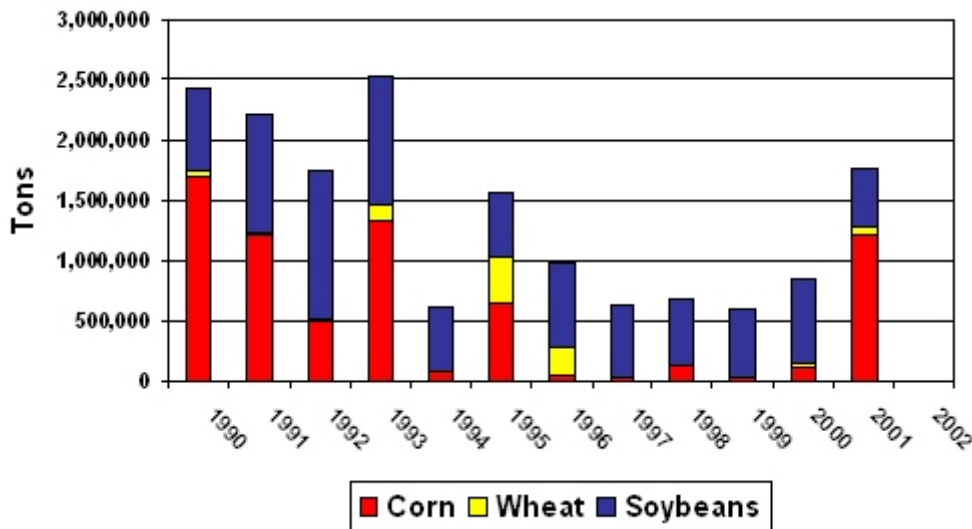
II. Grain Exports via the Port of Baltimore

This chapter describes the historical use of the Port of Baltimore elevator, an analysis of the sources for grain exports and the impacts on Maryland farmers of the closing of the export elevator at the Port of Baltimore.

1. Grain Exports via the Baltimore Elevator

Historically, grain exports via the Port of Baltimore fluctuated widely on an annual basis. Exhibit 21 shows this variability in the level of grain exports via the Port of Baltimore, and also indicates the type of grain that was exported. As indicated, the level of corn and wheat exports exhibited the greatest degree of fluctuation, while soybean exports were the most stable over the 1990-2001 period. In general, the level of activity in the later years of the period is significantly less than in the early 1990's.

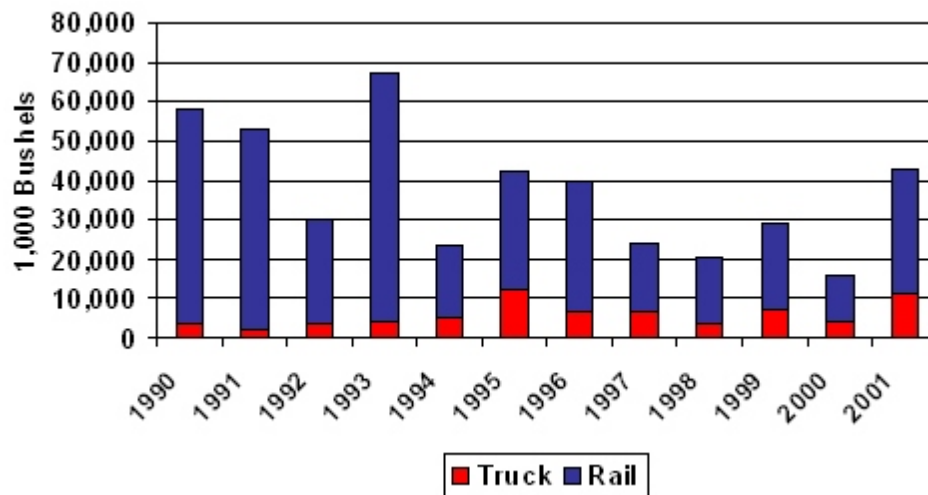
Exhibit 21
Grain Exports via the Port of Baltimore



Source: MPA

Most of the grain was moved to the Port by rail, as presented in Exhibit 22. The use of rail reflects the fact that the corn originated in the Midwestern states, and was moved to Baltimore for several reasons, including storage, as well as to maintain competitive rail rates at the Midwestern elevators and export elevators in the Gulf and on the Great Lakes. The key drawing area for the Port of Baltimore's grain elevator was Maryland, Pennsylvania, Delaware, New Jersey, Ohio, Indiana, Illinois and Michigan.

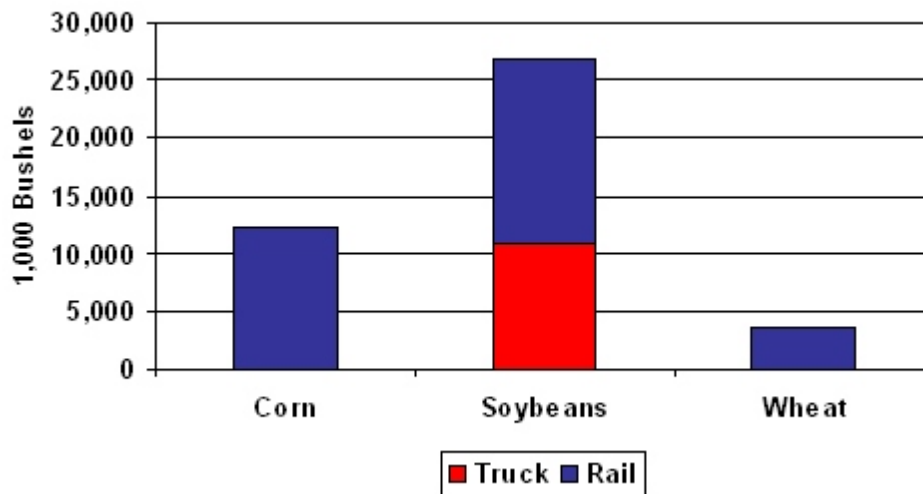
Exhibit 22
Modal Distribution of the Grain Exports at the Port of Baltimore



Source: MPA

The soybeans were in fact the only "regional crop". Exhibit 23 shows that only soybeans were moved to the Port's export elevator by truck. Of the 26 million bushels of soybeans exported via the elevator in 2001, about 11 million moved by truck.

Exhibit 23
Source of Grain Exports via the Port of Baltimore, 2001



Source: MPA

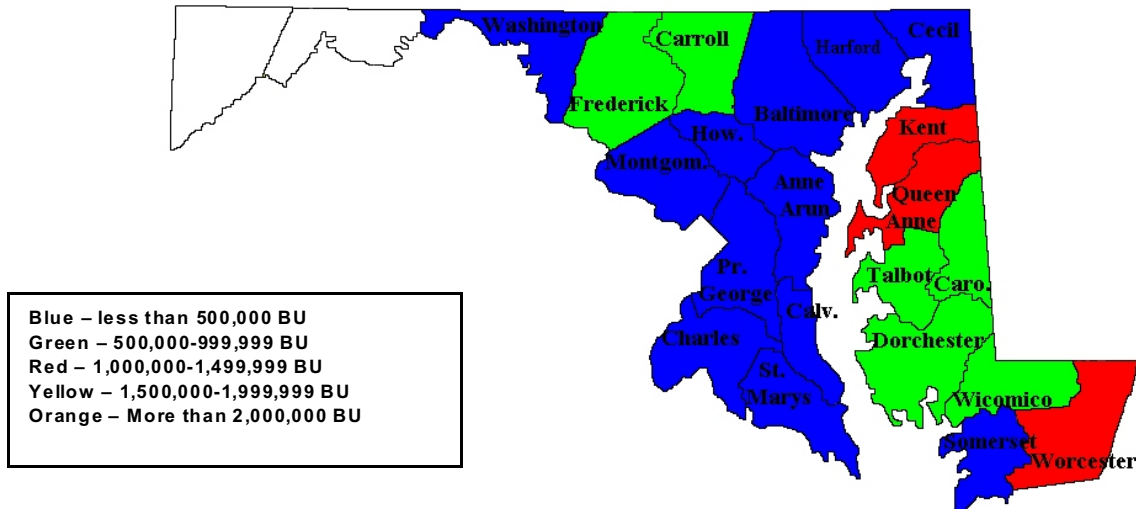
Over the last four years of operation, the truck delivered soybeans have exhibited wide fluctuations:

- 3.8 million bushels in 1998
- 7.4 million bushels in 1999
- 4.6 million bushels in 2000
- 11 million bushels in 2001

Interviews with local grain producers in Maryland, as well as a review of historical export data suggests that about 3 million bushels of Maryland soybeans were exported via the elevator in 2001, and this reflects the export potential for Maryland soybeans via a facility at the Port of Baltimore. The other local sources for soybeans are Pennsylvania, New Jersey, and Delaware.

Exhibit 24 shows the production of soybeans by county in Maryland. The red areas are the biggest producing counties, followed by the green and blue coded counties.

Exhibit 24
Soybean Production by Maryland Counties



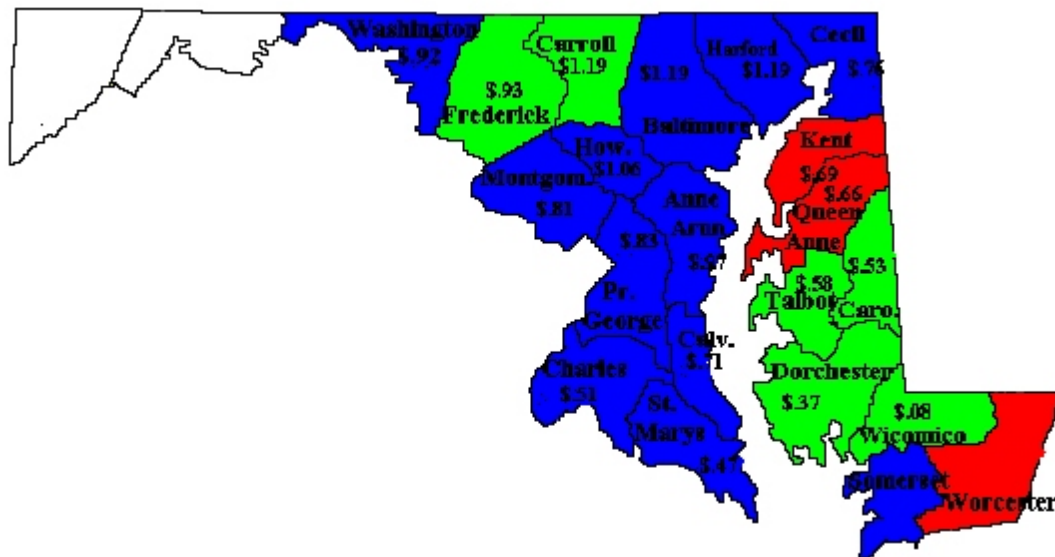
As demonstrated by this exhibit, Kent, Queen Anne and Worcester are the largest producers of soybeans, followed by Carroll, Frederick, Talbot, Caroline, Dorchester, and Wicomico counties. Maps of the soybean production areas in other supplying states are provided in the Appendix.

2. Impact of the Closing of the Port of Baltimore Grain Elevator

In the absence of the grain export elevator at the Port of Baltimore, Maryland farmers had the option of trucking soybeans to export at the Perdue elevator located in Chesapeake, VA. However, the movement of grain to this elevator by Maryland farmers results in a loss of income to the farmers in the form of higher transportation costs. To measure this cost, Martin Associates developed a trucking cost model to measure the incremental costs of trucking grain to the Chesapeake elevator compared to the previous delivery of grain at the Port of Baltimore. Trucking costs to Baltimore and to Chesapeake, VA were developed for each county (based on a point centrally located within each county). The difference between the costs to truck to Baltimore vs. the next nearest elevator in Chesapeake was computed for each county. Depending upon backhaul availability, the weighted average (weights are the production levels by county) increase in trucking costs are estimated to range from \$.35/bushel with a backhaul to \$.70/bushel with no backhaul.

Exhibit 25 shows the trucking cost penalty assuming no backhaul opportunity by county. This represents the loss of income to Maryland farmers as the result of the inability to use the Port for grain exports.

Exhibit 25
Increased Truck Cost due to the Closing of the Port of Baltimore Export Elevator
Cost /Bushel with no Backhaul



As expected, the cost penalty is greatest for those farmers located in proximity to Baltimore, such as those located in Baltimore, Harford, Carroll, Howard, Anne Arundel and Frederick counties.

In the following chapter, strategies to minimize these cost dislocations to Maryland farmers are discussed.

III. Alternative Grain Export Options at the Port of Baltimore

It is the purpose of the analysis to identify ways to minimize the impact of the closing of the grain elevator at the Port of Baltimore on the Maryland farmers. In this chapter three alternatives were analyzed. These alternatives are:

- Development of a barge transshipment facility at the Port of Baltimore
- Development of a rail transshipment facility at the Port as well as in Central Maryland
- Development of a new grain export elevator.

Each alternative is discussed in the balance of this chapter.

1. Barge Transshipment Center

The concept of a barge transshipment center is characterized by the movement of grain by truck or rail to a facility at the Port of Baltimore (either on Maryland Port Administration property or on private waterfront land). At the waterside facility, which would provide minimum storage, the barge would be loaded and moved to an export elevator such as at Chesapeake, VA. The key advantage of such a facility would be to reduce the cost penalty of Maryland farmers who would otherwise have to truck the grain directly to an existing export elevator.

Interviews with grain exporters and local Maryland grain growers identified key physical aspects of such an operation. In addition to water access, these are:

- Rail access in order to provide an outlet for out of state grain, to operate when barges cannot operate due to weather or other technical issues, to keep barge rates competitive, and to potentially distribute imported soybean meal inland. Rail trackage to accommodate a 65 car unit train.
- Minimum covered storage of 225,000 bushels. This capacity will handle a 65 car unit train (3,200 bushels per car) and will also provide storage for four barges with a capacity of 50,000 bushels each.
- Capability to handle 100 trucks at one time
- Storage characteristics
 - Quonset hut type facility
 - Cement pad
 - Jersey barriers to keep beans from rolling
 - 2-3 ft. stacking height at sides with a rise to 10-12 feet in the middle
- Air circulation

- Two truck dumps
 - Hopper dump
 - Dump truck
- Conveyor system
 - 10,000 bushels per hour
 - Capability to reverse load from storage area to rail as needed.

Based on interviews with potential providers of barge transshipment operations, it is estimated that a barge and loading rate from Baltimore to Chesapeake will range from \$.30-\$.35 per bushel.

This barge transshipment and loading rate are combined with the truck rate to Baltimore from each county in Maryland to estimate the through cost to Chesapeake. This through cost is then compared with the trucking cost from each county to the Chesapeake elevator to determine the cost savings that could be realized by using the barge transshipment operation. A weighted average cost savings was estimated, using the production levels of soybeans in each county. Based on this analysis, it is estimated that the barge operation would save Maryland farmers \$.21 to \$.42 per bushel, depending on backhaul opportunities. This would essentially reduce the \$.35/bushel cost penalty to \$.14/bushel (with a backhaul) and \$.28/bushel without a backhaul from the Port of Baltimore.

In addition to the movement of soybeans from Baltimore to the Chesapeake elevator, it is possible that this operation could then move soybean meal or beans from the Chesapeake elevator to an import facility at the Port of Wilmington, North Carolina. Currently, imported meal from Brazil is moved via this facility for use in the local farming sector. Further analysis is required to determine if the barge operation could cost effectively compete with the imported soybean meal.

A final variation of the barge transshipment operation would be to establish several transshipment centers around the Chesapeake Bay, strategically locating the terminals in the midst of large production areas of soybeans. This would include access to Pennsylvania soybeans as well.

2. Rail Transshipment Operations

The concept of the rail transshipment operation is to truck the soybeans to a rail transshipment operation, unload the beans onto rail cars and then rail the soybeans either to an export elevator or move the soybeans westward to crushing facilities in the Midwest or the Carolinas.

Three locations for a transshipment operation were considered. Two of these locations already have an established transshipment operation. The first location is a Central Maryland location on the border of Frederick and Carroll Counties. This is known as the Keymar operation and consists of a transshipment facility that loads 15

cars. There is a short line connection (Maryland Midland) to the CSX Railroad for delivery either to an export elevator, to Baltimore or to crushing operations in the Midwest or the South Atlantic. Based on the trucking costs to the Keymar facility as well as a loading rate, this transshipment operation provides a \$.45 per bushel to \$.90 per bushel cost savings for farmers in Carroll and Frederick County compared to a direct truck from Carroll County to an export elevator in Chesapeake. This reduces the cost penalty to Carroll County farmers of not having the Baltimore elevator from \$1.19 per bushel (without a backhaul) to \$.29 per bushel. For Frederick County farmers, the use of the rail transshipment operation at Keymar results in a \$.30 to \$.60/bushel cost savings over a direct truck haul, and reduces the cost penalty of the loss of the elevator to \$.33 per bushel without a backhaul for Frederick County farmers.

A second rail transshipment operation is now operating in Baltimore that connects via a shortline rail road (Canton Railroad) to a mainline railroad (either CSX or Norfolk Southern) for the move to Chesapeake. Grain is trucked to the terminal in Baltimore where it is transshipped from truck to rail. This operation currently provides a delivered cost to the Chesapeake elevator at a rate of \$.07 to \$.10/bushel greater than the barge transshipment rate. This operation can also be used to move the soybeans to crushing facilities in the Midwest or South.

3. Export Elevator

The third option to aid the Maryland farmers is the reestablishment of an export elevator at the Port of Baltimore. As demonstrated, the previous elevator received the majority of corn and wheat from the Midwestern states by rail, and further received 58% of the soybeans by rail from Midwestern states. Interviews with exporters indicated that previously the grain was moved from the Midwest to the Baltimore elevator for storage purposes (from Midwestern elevators under the same ownership), and was also used to gain competitive rail rates in the Midwestern states. Therefore, the key to the feasibility of the reestablishment of the export elevator is to determine the competitive reach of the Port of Baltimore vis-à-vis Great Lakes and Lower Mississippi River export elevators. In latter years of operation the elevator operated at continually falling volumes, and it is critical to determine if an elevator at the Port of Baltimore could in fact offer a cost effective outlet for Midwestern grain, and in so doing, would be able to sustain a competitive market share of Midwestern grain.

In order to assess this competitive position, Martin Associates developed a detailed mapping of grain production, by type and county, in the historical supplying Midwestern states of Indiana, Illinois, and Ohio. The through transportation costs from each of these counties to Northern Europe and to China were then developed using alternative port routings -- the Great Lakes ports of Chicago, Burns Harbor and Toledo; the Lower Mississippi River port of New Orleans; and the Port of Baltimore. It was assumed that the grain would be trucked from each county to the closest Great Lakes elevator, and then loaded onboard an ocean going vessel (Salty) calling the Great Lakes ports. The vessel is constrained to a 27 foot sailing draft to accommodate the size of the locks of the Saint Lawrence Seaway. This draft would accommodate about 22,000 tons.

For the alternative Lower Mississippi River routing, it was assumed that the grain would be trucked to a local river elevator (a \$.20/bushel drayage and loading fee was assumed). The barge would move the grain to an elevator in the Lower Mississippi River where a \$.05/bushel elevation fee was assigned. Then the vessel was loaded and the grain moved to Northern Europe or China. A vessel size of 80,000 DWT was assumed to be the vessel deployed from the Lower Mississippi River, which carried about 70,000 tons of grain. This use of a larger vessel allows the realization of cost economies, particularly over long hauls such as the China routing. The operating and capital costs of the 80,000 DWT vessels increase less (compared to the capital and operating costs of a 35,000 DWT vessel deployed on the Great Lakes) than is the case for the increased volume of cargo that can be carried on the larger vessels. As a result, the use of the large vessel via New Orleans provides significant vessel costs savings per ton or bushel that will outweigh the costs of the inland truck and barge costs to the river terminals.

For the alternative Port of Baltimore routing, it is assumed that the grain from each county is drayed to a rail terminal, and then loaded upon rail for a line haul move to Baltimore, where it is elevated into a grain elevator. The grain is then loaded onto an 80,000 DWT vessel for the journey to China and Northern Europe.

In order to estimate the costs, rail rates were obtained from the railroads, and based on interviews with grain companies, a 30% discount from the published tariff car rates was assumed. The truck costs to the Great Lakes elevators were estimated based on \$500 per day operating costs. The miles between each county and the relevant Great Lakes port were computed and converted into a cost per bushel using the daily operating costs and assumed miles per hour rates (including waiting time). For the dray to the rail yard or the barge terminal, a \$.20/bushel cost was assumed to cover truck costs and rail or barge loading costs. A \$.10/bushel elevation fee was assumed at Baltimore and each of the Great Lakes elevators.

Martin Associates Voyage Costing Model was then used to estimate the ocean costs from each port to Northern Europe (Antwerp) and China (Shanghai). This model has been used by Martin Associates on all of our U.S. Army Corps of Engineers navigation studies and is based on vessel operating costs of foreign flag vessels as provided to Martin Associates by the U.S. Army Corps of Engineers. Assumptions as to vessel loading and discharge rates are incorporated into the models as are port costs, canal transits and delay times. To validate the vessel cost estimates from the vessel costing model, Martin Associates obtained actual grain shipping fixtures for the relevant trade routes from the International Grains Council. The voyage costing model estimated a \$.32/bushel cost from Baltimore to Antwerp, while the actual shipping rate was reported as \$.29-\$.37/ bushel. For the New Orleans to Northern Europe routing, the voyage costing model estimated a rate of \$.34/bushel compared to an actual rate of \$.35/bushel. For the Great Lakes move to Europe, the model provided an estimated rate of \$.57/bushel, while the actual rate fixture was \$.60/bushel. For the China routing, the economies of the use of the large 80,000 DWT vessel at Baltimore and New Orleans are evident compared to the Great Lakes routing. From Baltimore to China the

voyage costing model estimated a rate of \$.61/bushel, from New Orleans to China via the Suez the estimated vessel cost is \$.64/bushel and from the Great Lakes the rate is \$1.13/bushel.

Based on this analysis, through costs from each Ohio, Indiana, and Illinois County to Northern Europe and China were computed. A weighted average delivered cost per bushel was then computed for each alternative, with the weights being the level of production in each county. The results of the through cost analysis indicated that: New Orleans is the least cost routing for Indiana and Illinois soybeans exported to Europe and China. Furthermore, the use of the Port of Baltimore is the most costly routing compared to the use of New Orleans and then the Great Lakes.

For Illinois grain, the use of Baltimore adds an additional \$.11/bushel over the use of the nearest Great Lakes elevator. The use of the export elevators in the Lower Mississippi River results in a \$.20/bushel cost savings over the use of the Great Lakes ports and a \$.31/bushel savings (more than \$10/ton) over the use of the Port of Baltimore for a Northern European routing. For a China routing, the use of a Lower Mississippi River port saves exporters in Illinois \$.50/bushel over the Great Lakes routing.

For Indiana grain exports, the use of Baltimore adds an additional cost of \$.17/bushel over the use of the nearest Great Lakes port, while the use of a Lower Mississippi River elevator results in a cost savings of \$.10 per bushel over the use of the Great Lakes for a move to Northern Europe. Conversely, the Lower Mississippi River routing is \$.27/bushel more than a Baltimore routing of Indiana grain exports to Northern Europe. For a China routing, the use of the Lower Mississippi River ports provides a \$.50/bushel cost savings over the use of the Lakes.

Finally, for Ohio grain exports, the use of Baltimore will add \$.19 per bushel over the use of the Lakes to move export grain to Northern Europe.

Based on this cost analysis, a grain elevator at the Port of Baltimore could not cost effectively compete for the Midwestern export grain. The key competition is not only the Great Lakes ports but more importantly the use of the Lower Mississippi River Ports.

4. Capital Costs of a Grain Elevator versus Barge Transshipment Center

4.1 Cost of the Barge Transshipment Facility

The capital costs of the barge transshipment operation are based on the physical requirements described in Section 1 of this chapter. These characteristics are:

- Rail siding to accommodate a 65 car unit train

- Minimum covered storage of 225,000 bushels. This capacity will handle a 65 car unit train (3,200 bushels per car) and will also provide storage for four barges with a capacity of 50,000 bushels each.
- Capability to handle 100 trucks at one time
- Storage characteristics
 - Quonset hut type facility
 - Cement pad
 - Jersey barriers to keep beans from rolling
 - 2-3 ft. stacking height at sides with a rise to 10-12 feet in the middle
- Air circulation
- Two truck dumps
 - Hopper dump
 - Dump truck
- Conveyor system
 - 10,000 bushels per hour

Using the barge transshipment center, no new pier would be required to handle 1,500 ton barges.

Based on these requirements, the cost of the transshipment facility is estimated to range between \$2 and \$2.5 million. Using a 5 percent, 30 year bond, the annual cost will range between \$130,000-\$160,000. Assuming a 3 million bushel throughput for Maryland soybeans, and no other local beans from Pennsylvania, the per bushel throughput capital cost is \$.04-\$.05 per bushel. The capital cost per bushel will decline, the greater the additional throughput from Pennsylvania.

4.2 Cost of New Grain Elevator

The capital cost of a new grain elevator is based on the following assumptions: The elevator will need to have the capacity to handle one ship load, which for an 80,000 DWT vessel is about 2.6 million bushels. This would require about 26 silos at the minimum, with a 100,000 storage capacity each. The cost per silo, including equipment is \$1 million, for a total cost of \$26 million. It is to be emphasized that this is the minimum storage requirement. In addition, the North Locust Point Grain Pier would have to be reconstructed at a cost of about \$15 million, for a total capital cost of \$41 million. Assuming a 30 year bond at 5 percent interest, the annual capital cost of the elevator is estimated at about \$2.7 million. If the new elevator captured all of the 42 million bushels moved via the Port of Baltimore the last year of operation of the ADM elevator, the capital cost per bushel would be \$.06/bushel. However, the capital cost of providing such a facility to benefit only Maryland farmers would be about \$.87 per bushel.

5. Additional Alternatives to Serve Maryland Grain Producers

In addition to the barge and rail transshipment operations, there is also the possibility of using soybeans/soybean meal to reposition empty marine containers to Asia. For example, Baltimore handles a large number of empty containers that are destined for the Far East. These empty containers are often placed on the Columbia Coastal Barge service that operates between the Port of Baltimore and the Virginia Port Authority terminals in Norfolk, VA. While this is a limited market in terms of size, the use of grains and grain products to reposition empty containers to the Far East is an area that requires further investigation and marketing efforts. In Chicago and Norfolk, PL 480 grain (government assisted food programs for specific underdeveloped countries) is loaded into empty containers for the return trip to Asia. In this way revenue is generated for the return trip to Asia and typically the repositioning container rates are attractive to attract such “filler” cargo. In most cases, this PL 480 cargo is bagged, and as a result it would be necessary to develop a dialog with a bagging operation now currently operating in the Baltimore area. One such bagging operation is Maryland Environmental Service. The development of this bagged grain/grain products market will require additional research and also communications between the Maryland grain growers, the Maryland Department of Agriculture, bagging facilities, steamship lines calling the Port of Baltimore, as well as with the operators of other bagging facilities in Chicago and Norfolk.

IV. Recommendations

The study findings and recommendations are as follows.

- The closing of the ADM elevator at the Port of Baltimore has resulted in an economic cost to Maryland farmers. The analysis estimates this cost at between \$.35 and \$.70/bushel, depending on backhaul opportunities.
- The historical performance of the grain elevator at the Port of Baltimore has been highly unstable, and the volume of grain handled at this facility has been falling from the early 1990's.
- The majority of the grain that was exported through this facility originated in the Midwest and was moved to the elevator by rail. The use of the facility for export of Midwestern grain was not based on a competitive advantage that Baltimore had over other export elevators on the Great Lakes and New Orleans, but was used to leverage rail and barge rates in the Midwest. In addition, the Baltimore elevator was used for Midwestern grain due to the very advantageous port fees that were in place, and could not be replicated for a new elevator.
- A barge transshipment alternative appears to be the most cost effective method to assist the Maryland farmers, and will reduce the cost penalty of the loss of the elevator by \$.21 to \$.42 per bushel. This service can also be used to potentially move soybeans and meal to the newly established bulk handling facility in Wilmington, North Carolina. This facility currently imports soybeans and meal from Brazil to be used in local North Carolina farms. A barge transshipment service at Baltimore could serve as one point in a multi-terminal system of barge transshipment operations on the Chesapeake Bay. Each facility would focus on a local drawing area, such as a location to serve the Northern Chesapeake Bay area in Cecil County as well as a location in St. Mary's County. Such multiple locations would further reduce the cost impact of the loss of the export elevator in Baltimore.
- The rail transshipment operation at the Keymar property provides a cost effective outlet for Frederick County and Carroll County farmers moving grain to export as well as crushing facilities, and offsets to some extent the cost penalty resulting from the closing of the elevator. In addition, the rail transshipment operation at Baltimore also provides a relief to Maryland farmers in providing service to both export elevators as well as to crushing facilities.
- A new export elevator at the Port of Baltimore could not cost effectively compete for Midwestern grain, as Lower Mississippi River ports provide the cost effective routing for Midwestern grain to both Europe and China. The use of an export elevator at the Port of Baltimore is the most costly alternative to move Midwestern grain.

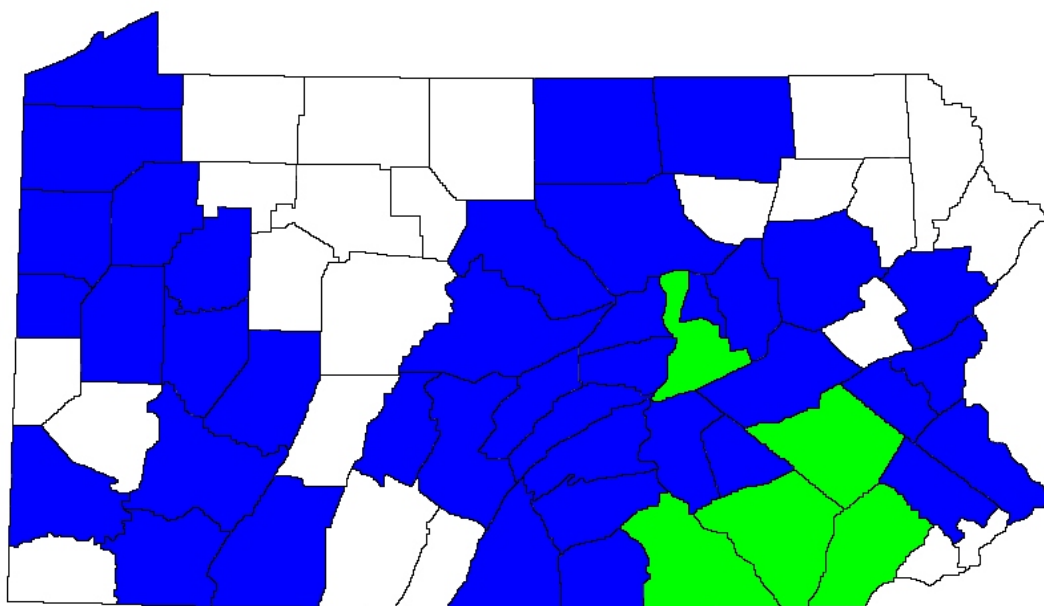
- The capital cost of a barge transshipment operation at Baltimore is estimated to range between \$2.0 and \$2.5 million dollars, with an annual capital cost of between \$130,000 and \$160,000. The cost to construct a new grain elevator with a minimum storage capacity to serve one 80,000 DWT ship (2.6 million bushels) is \$41 million, or about \$2.7 million per year in terms of capital costs. This includes the reconstruction of a new grain pier. Given the historical unstable usage of the export elevator at Baltimore over time, the annual capital cost per bushel would likely vary considerably.

In conclusion, the results of the analysis indicate the following:

- It would not be cost effective to develop a new grain export elevator in the Port of Baltimore.
- A cost effective method to improve the situation of the Maryland farmers in light of the closing of the ADM elevator would be to develop a barge transshipment operation at the Port of Baltimore. This facility could be developed on private or public (Maryland Port Administration) property, and would require rail access and siding to handle 65 car unit trains. The facility would require a covered storage capacity of 225,000 bushels, and a conveyor system with a loading rate of 10,000 bushels per hour. This type of facility is relatively inexpensive to construct, and will provide an immediate outlet for Maryland soybeans. In the longer term, depending upon usage, the storage capacity can be expanded as necessary to accommodate growing demand. The facility can also be used to handle imported beans and grain during the winter months, as well as to store other dry commodities when not used for grain storage.

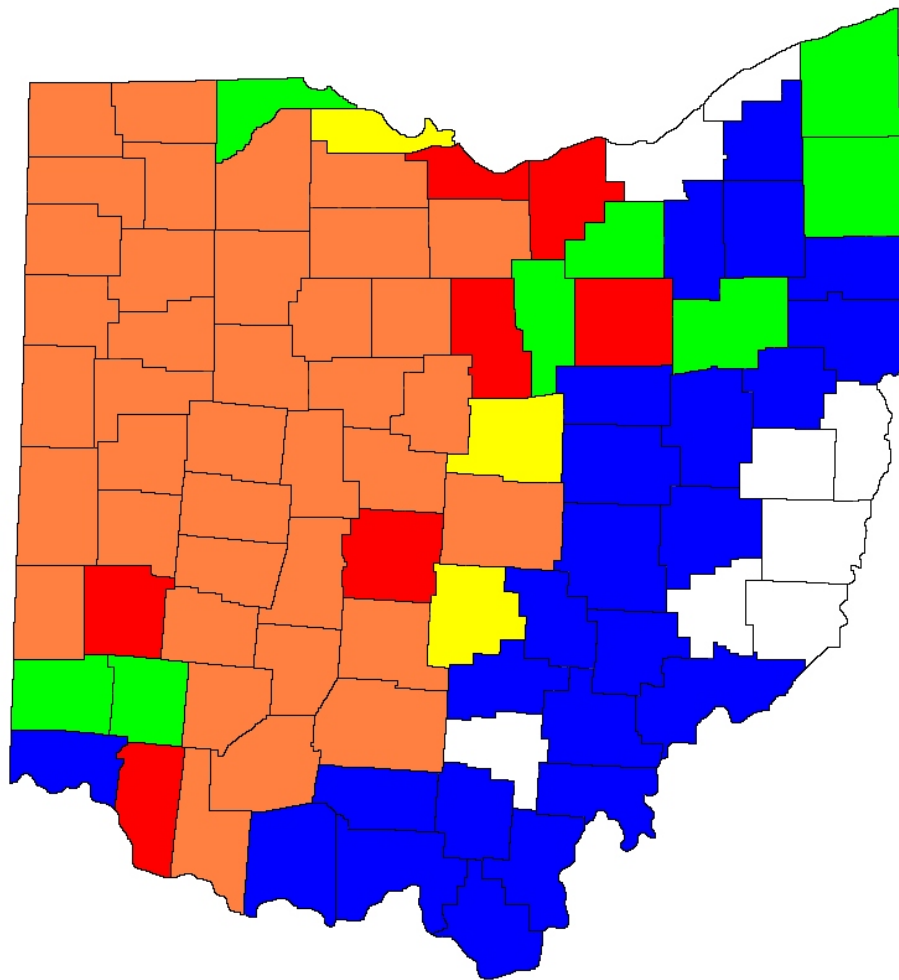
APPENDIX

Pennsylvania Soybean Production by County



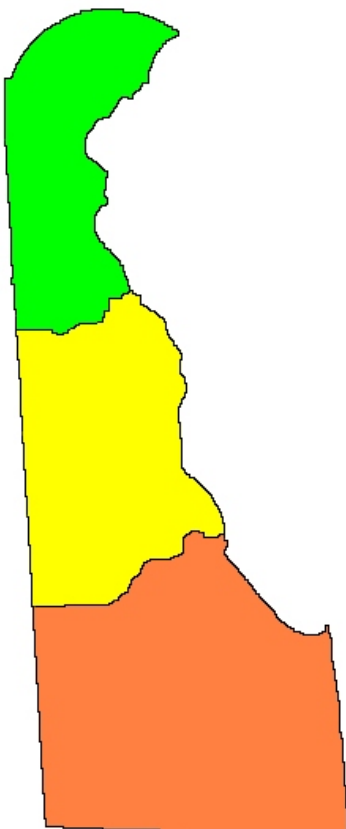
Blue – less than 500,000 BU
Green – 500,000-999,999 BU
Red – 1,000,000-1,499,999 BU
Yellow – 1,500,000-1,999,999 BU

Ohio Soybean Production by County



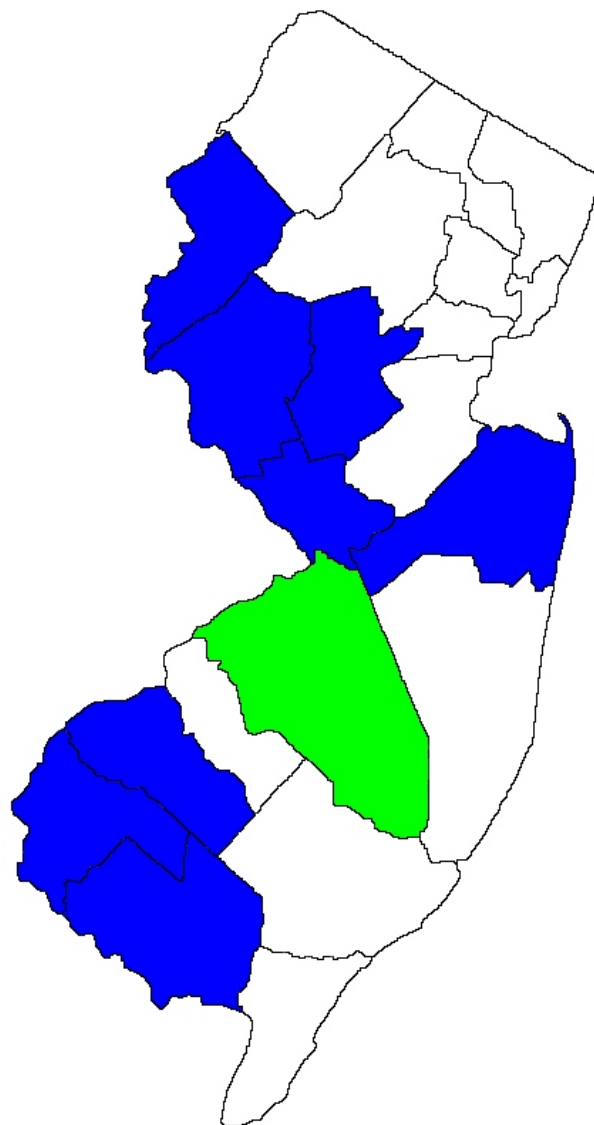
Blue – less than 500,000 BU
Green – 500,000-999,999 BU
Red – 1,000,000-1,499,999 BU
Yellow – 1,500,000-1,999,999 BU

Delaware Soybean Production by County



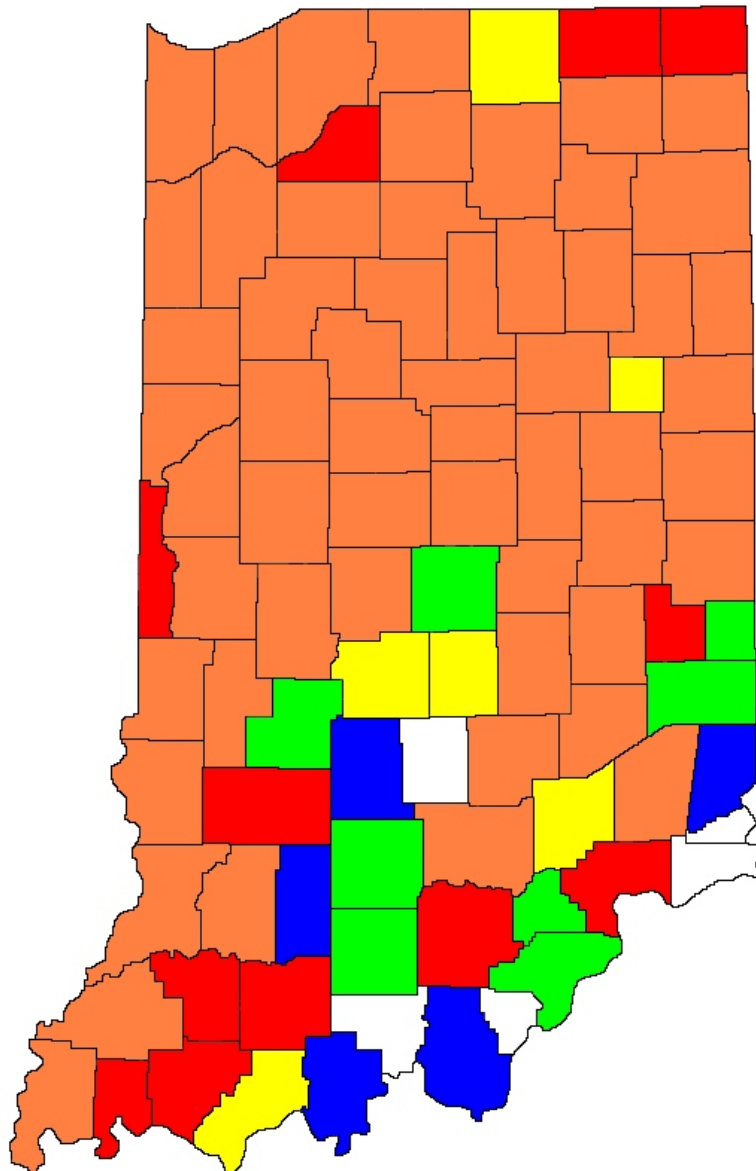
Blue – less than 500,000 BU
Green – 500,000-999,999 BU
Red – 1,000,000-1,499,999 BU
Yellow – 1,500,000-1,999,999 BU

NEW JERSEY SOYBEAN PRODUCTION BY COUNTY



Blue – less than 500,000 BU
Green – 500,000-999,999 BU
Red – 1,000,000-1,499,999 BU
Yellow – 1,500,000-1,999,999 BU

INDIANA SOYBEAN PRODUCTION BY COUNTY



Blue – less than 500,000 BU
Green – 500,000-999,999 BU
Red – 1,000,000-1,499,999 BU
Yellow – 1,500,000-1,999,999 BU

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APPENDIX I

SENATE BILL 367

UNOFFICIAL COPY
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2003 REGULAR SESSION

ENROLLED BILL

-- EDUCATION, HEALTH, AND ENVIRONMENTAL AFFAIRS/ENVIRONMENTAL MATTERS --

INTRODUCED BY SENATORS DYSON, ASTLE, BRINKLEY, COLBURN, CONWAY, DELLA,
GIANNETTI, GREEN, GREENIP, HAER, HAINES, HARRIS, HOOPER, JACOBS,
KITTLEMAN, KLAUSMEIER, KRAMER, MIDDLETON, MILLER, MUNSON, PIPKIN,
SCHRADER, STOLTZFUS, AND STONE

READ AND EXAMINED BY PROOFREADERS:

PROOFREADER.

PROOFREADER.

SEALED WITH THE GREAT SEAL AND PRESENTED TO THE GOVERNOR, FOR HIS APPROVAL THIS
____ DAY OF _____ AT _____ O'CLOCK, ____ M.

PRESIDENT.

CHAPTER _____

1 AN ACT CONCERNING

2 **TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS**

3 FOR THE PURPOSE OF ESTABLISHING THE TASK FORCE ON THE MARKETING OF GRAIN AND OTHER
4 AGRICULTURAL PRODUCTS; SPECIFYING THE MEMBERSHIP AND DUTIES OF THE TASK FORCE;
5 REQUIRING THE GOVERNOR TO DESIGNATE A CERTAIN TASK FORCE CHAIRMAN; REQUIRING
6 THE DEPARTMENT OF AGRICULTURE TO PROVIDE CERTAIN STAFFING; PROHIBITING A TASK
7 FORCE MEMBER FROM RECEIVING CERTAIN COMPENSATION AND AUTHORIZING THE RECEIPT
8 OF CERTAIN REIMBURSEMENT; REQUIRING THE TASK FORCE TO REPORT TO CERTAIN PERSONS
9 BY A CERTAIN DATE; PROVIDING FOR THE TERMINATION OF THIS ACT; AND GENERALLY
10 RELATING TO THE ESTABLISHMENT, MEMBERSHIP, AND DUTIES OF THE TASK FORCE ON THE
11 MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS.

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, THAT:

1 (A) THERE IS A TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL
2 PRODUCTS.

3 (B) THE TASK FORCE CONSISTS OF THE FOLLOWING MEMBERS:

4 (1) TWO MEMBERS OF THE SENATE OF MARYLAND, APPOINTED BY THE PRESIDENT
5 OF THE SENATE;

6 (2) TWO MEMBERS OF THE HOUSE OF DELEGATES, APPOINTED BY THE SPEAKER OF
7 THE HOUSE;

8 (3) THE SECRETARY OF AGRICULTURE, OR THE SECRETARY'S DESIGNEE;

9 (4) THE SECRETARY OF BUSINESS AND ECONOMIC DEVELOPMENT, OR THE
10 SECRETARY'S DESIGNEE;

11 (5) THE SECRETARY OF TRANSPORTATION, OR THE SECRETARY'S DESIGNEE;

12 (6) THE EXECUTIVE DIRECTOR OF THE MARYLAND PORT ADMINISTRATION, OR THE
13 EXECUTIVE DIRECTOR'S DESIGNEE;

14 (7) ONE MEMBER OF THE MARYLAND FARM BUREAU;

15 (8) ONE MEMBER OF THE MARYLAND GRAIN PRODUCERS ASSOCIATION;

16 (9) ONE REPRESENTATIVE OF MIDATLANTIC FARM CREDIT; AND

17 (10) THE FOLLOWING MEMBERS APPOINTED BY THE GOVERNOR:

18 (i) ONE REPRESENTATIVE OF THE OCEAN SHIPPING INDUSTRY;

19 ~~(10)~~ (ii) ONE REPRESENTATIVE OF THE TRUCKING INDUSTRY;

20 ~~(11)~~ (iii) ONE REPRESENTATIVE OF THE RAIL INDUSTRY;

21 ~~(12)~~ (iv) ONE REPRESENTATIVE OF THE BARGE INDUSTRY; AND

22 ~~(13)~~ (v) TWO LICENSED GRAIN DEALERS; ~~AND~~

23 ~~(14) ONE REPRESENTATIVE OF MIDATLANTIC FARM CREDIT.~~

24 (C) THE GOVERNOR SHALL DESIGNATE THE CHAIRMAN OF THE TASK FORCE.

25 (D) THE DEPARTMENT OF AGRICULTURE SHALL PROVIDE STAFF FOR THE TASK FORCE.

26 (E) A MEMBER OF THE TASK FORCE:

27 (1) MAY NOT RECEIVE COMPENSATION; BUT

28 (2) IS ENTITLED TO REIMBURSEMENT FOR EXPENSES UNDER THE STANDARD STATE
29 TRAVEL REGULATIONS, AS PROVIDED IN THE STATE BUDGET.

1 (F) THE TASK FORCE SHALL:

2 (1) EVALUATE OPTIONS AND DEVELOP STRATEGIES FOR THE MARKETING OF GRAIN,
3 PARTICULARLY SOYBEANS, AND OTHER STATE AGRICULTURAL PRODUCTS, INCLUDING AN ANALYSIS OF
4 THE FEASIBILITY OF:

5 (I) ~~REBUILDING AND REOPENING~~ REESTABLISHING A GRAIN EXPORT FACILITY
6 AT THE PORT OF BALTIMORE ~~GRAIN TERMINAL~~; AND

7 (II) ~~THE ESTABLISHMENT OF~~ ESTABLISHING NEW TRANSPORT OPTIONS FROM
8 ALTERNATIVE LOCATIONS IN CENTRAL MARYLAND;

9 (2) IMPLEMENT THROUGH THE MARYLAND PORT ADMINISTRATION A FEASIBILITY
10 STUDY OF THE SHORT-TERM AND LONG-TERM ECONOMIC VIABILITY OF A GRAIN SHIPPING FACILITY
11 AT THE PORT OF BALTIMORE, INCLUDING THE LOCUST POINT MARINE TERMINAL, AND EVALUATE
12 AND MAKE RECOMMENDATIONS REGARDING THE STUDY;

13 ~~(2)~~ (3) EXAMINE POTENTIAL COSTS TO THE STATE AND PRIVATE INDUSTRY FOR
14 EACH OPTION AND STRATEGY IDENTIFIED UNDER PARAGRAPH (1) OF THIS SUBSECTION;

15 ~~(3)~~ (4) EXAMINE POTENTIAL FUNDING SOURCES FOR IDENTIFIED OPTIONS AND
16 STRATEGIES, INCLUDING FEDERAL GRANT AND LOAN PROGRAMS, PRIVATE LOANS AND OTHER
17 INVESTMENT VEHICLES, AND ANY OTHER AVAILABLE FUNDING MECHANISMS; AND

18 ~~(4)~~ (5) SOLICIT AND ENCOURAGE PARTICIPATION FROM OTHER PERSONS IMPACTED
19 BY THE TOPICS UNDER STUDY BY THE TASK FORCE BUT NOT SERVING AS TASK FORCE MEMBERS,
20 INCLUDING FARMERS AND OTHER AGRICULTURALLY RELATED BUSINESSES IN NEIGHBORING STATES
21 AND MEMBERS OF CONGRESS REPRESENTING THESE REGIONAL INTERESTS.

22 (G) THE TASK FORCE SHALL REPORT ITS FINDINGS AND RECOMMENDATIONS TO THE
23 GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE GENERAL
24 ASSEMBLY ON OR BEFORE DECEMBER 31, 2003.

25 SECTION 2. AND BE IT FURTHER ENACTED, THAT THIS ACT SHALL TAKE EFFECT
26 JUNE 1, 2003. IT SHALL REMAIN EFFECTIVE FOR A PERIOD OF 8 MONTHS AND, AT THE END OF
27 JANUARY 31, 2004, THIS ACT SHALL BE ABROGATED AND OF NO FURTHER FORCE AND EFFECT.

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APPENDIX II

MEETING AGENDAS

(PLEASE SEE ATTACHED.)

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Task Force on the Marketing of Grain and Other Agricultural Products

MD Department of Agriculture
Room 114

June 5, 2003 10:00 a.m.

Agenda

- | | |
|------------|--|
| 10:00 a.m. | Welcome and Introductions
<i>Secretary Lewis R. Riley, MD Department of Agriculture</i> |
| 10:15 a.m. | Background Information
Recent Grain Export Activities from Baltimore
<i>Don Amberman</i>

Current Status of the Locust Point Facility
<i>Lou LoBianco, MD Port Administration</i>

Impact on Local Grain Markets
<i>Bill Hostetter, Hostetter Grains</i>
<i>Jamie Jamison, Maryland Grain Producers</i> |
| 11:00 a.m. | Feasibility Study of the Short-Term and Long-Term Economic Viability of a Grain Shipping Facility at the Port of Baltimore, including the Locust Point Marine Terminal
<i>Steve Frank, MD Port Administration</i> |
| 12:00 p.m. | Lunch |
| 12:30 p.m. | Future agenda items |

TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS

**MD DEPARTMENT OF AGRICULTURE
Room 110**

WEDNESDAY, AUGUST 27, 2003 10:00 A.M.

AGENDA

- 10:00 A.M. WELCOME AND INTRODUCTIONS
SECRETARY LEWIS R. RILEY, MD DEPARTMENT OF AGRICULTURE
- 10:10 A.M. READING AND ADOPTION OF MINUTES FROM JUNE 5, 2003 MEETING
- 10:20 A.M. SUBCOMMITTEE REPORT
JOHN MAGNESS, CHAIRMAN
- 10:40 A.M. MARTIN ASSOCIATES INTERIM REPORT
JOHN MARTIN
- 12:00 A.M. LUNCH BREAK
- 1:00 P.M. THE MARKET POTENTIAL OF BIODIESEL FROM SOYBEANS
SUSANNE HAMMOND ZILBERFARB
- 1:30 P.M. DELAWARE'S BIODIESEL PROJECT
MARTY ROSS
- 2:00 P.M. FUTURE AGENDA ITEMS
NEXT MEETING - TUESDAY, SEPTEMBER 30, 2003
- 2:15 P.M. MEETING ADJOURNED

TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS

MD DEPARTMENT OF AGRICULTURE, ROOM 114

THURSDAY, NOVEMBER 6, 2003, 10:00 A.M.

AGENDA

- | | |
|------------|---|
| 10:00 A.M. | WELCOME AND INTRODUCTIONS
<i>SECRETARY LEWIS R. RILEY, MD DEPARTMENT OF AGRICULTURE</i> |
| 10:05 A.M. | ADOPTION OF MINUTES FROM AUGUST 27, 2003 MEETING |
| 10:10 A.M. | UPDATE ON GRAIN TRANSLOADING LOCATIONS FOR CENTRAL MARYLAND PRODUCERS FOR THE FALL HARVEST
<i>BRAD POWERS, AGRIBUSINESS CONSULTANT</i> |
| 10:20 A.M. | UPDATE ON CURRENT SOYBEAN MARKET IN THE AFTERMATH OF ADM CLOSING
<i>JAMIE JAMISON, REPRESENTATIVE FOR MARYLAND GRAIN PRODUCERS ASSOCIATION</i>
<i>BILL HOSTETTER, LICENSED GRAIN DEALER</i> |
| 10:40 A.M. | IMPROVING THE MARKET FOR SOYBEAN GROWERS
<i>JOHN HALL, CHESAPEAKE FIELDS INSTITUTE</i> |
| 11:00 A.M. | MARTIN ASSOCIATES FINAL REPORT
<i>JOHN MARTIN</i> |
| 12:00 NOON | LUNCH |
| 12:30 P.M. | REGIONAL ECONOMIC DEVELOPMENT DISTRICT INITIATIVES (REDDI)
<i>MIKE GERHART, AGRICULTURE ECONOMIC DEVELOPMENT CONSULTANT</i> |
| 1:00 P.M. | MARYLAND GRAIN AND OILSEED TRANSPORTATION ISSUES IN A REGIONAL AND NATIONAL CONTEXT
<i>MARK NEWMAN, PRESIDENT, MARKET SOLUTIONS LLC</i> |
| 1:20 P.M. | DISCUSSION ON RECOMMENDATIONS, CONCLUSIONS AND FINAL REPORT OF TASK FORCE |
| 2:30 P.M. | MEETING ADJOURNED |

TASK FORCE ON THE MARKETING OF GRAIN AND OTHER AGRICULTURAL PRODUCTS

MD DEPARTMENT OF AGRICULTURE

Room 114

MONDAY, NOVEMBER 24, 2003

10:00 A.M.

AGENDA

10:00 A.M. WELCOME AND INTRODUCTIONS
SECRETARY LEWIS R. RILEY, MD DEPARTMENT OF AGRICULTURE

10:05 A.M. ADOPTION OF MINUTES FROM NOVEMBER 6, 2003 MEETING

10:10 A.M. PRESENTATION AND DISCUSSION OF RECOMMENDATIONS

<i>JOHN MAGNESS, RAIL INDUSTRY</i>	<i>(10 MINUTES)</i>
<i>BRAD POWERS, PERDUE</i>	<i>(10 MINUTES)</i>
<i>SAM MINNITTE, MDOT</i>	<i>(10 MINUTES)</i>
<i>GRAIN PRODUCERS</i>	<i>(10 MINUTES)</i>
<i>MARK NEWMAN, MARKET SOLUTIONS LLC</i>	<i>(10 MINUTES)</i>

11:00 A.M. DISCUSSION

12:00 NOON ADJOURN FOR LUNCH

APPENDIX III

ACKNOWLEDGMENTS

The Task Force on the Marketing of Grain and Other Agricultural Products gratefully acknowledge the contributions of the individuals below. The insights they provided were invaluable in helping the Task Force members identify and evaluate options to improve the market for Maryland grain producers.

Suzanne Hammond Zilberfarb, Mid-Atlantic Soybean Association and Maryland Soybean Board
Marty Ross, MidAtlantic Biodiesel
Brad Powers, Perdue
John Cassidy, Perdue Farms, Inc., Grand and Oilseed Division
John Hall, Chesapeake Fields Institute
Mike Gerhart, Regional Economic Development District Initiatives (REDDI)
Mark Newman, Market Solutions, LLC
Lynne Hoot, Maryland Grain Producers Association